

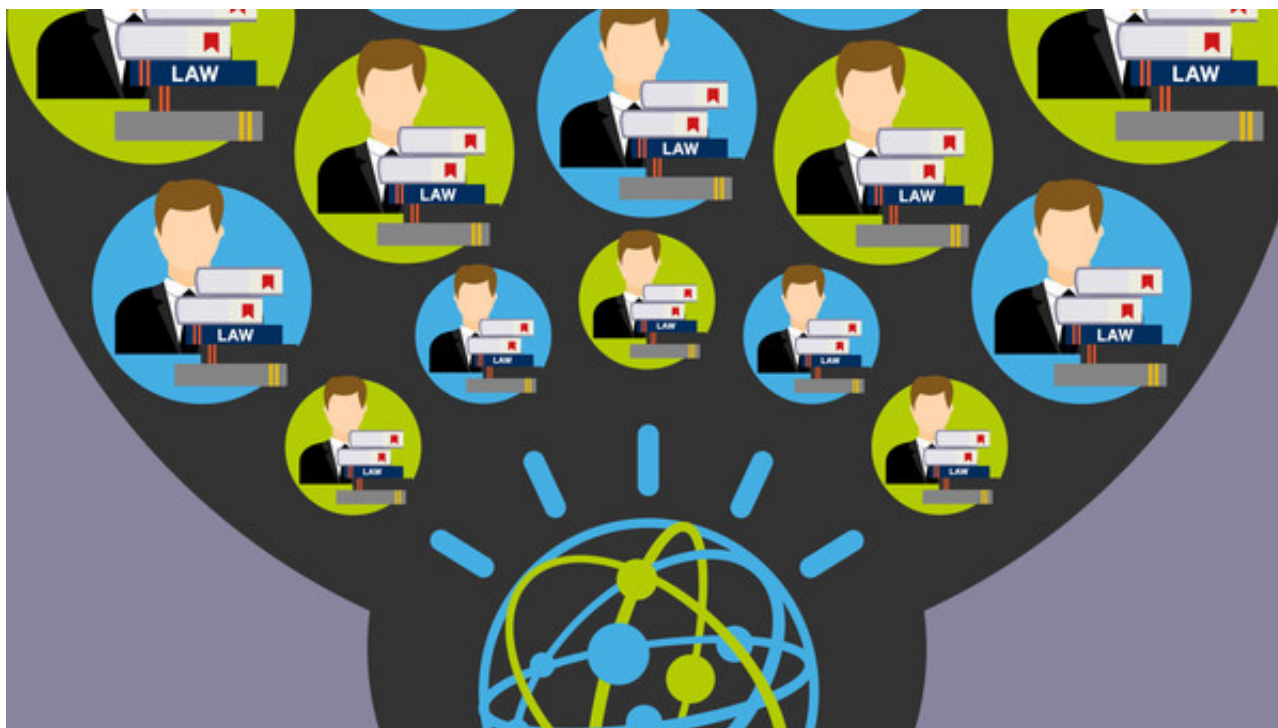
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Technology: Breaking the law

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The widening gap between legal fees and what most companies can afford to pay makes the profession ripe for ‘Uberisation’



Music companies, travel agents, newspapers, taxi drivers. Many sectors have been ravaged by the internet, mobile phone apps and people’s ability to find free information that they used to pay for. Revenues have tumbled and old industries have struggled to find new business models.

Surgery can now be done by robots, or performed remotely. Architects use digital tools to design buildings.

One sector, however, has carried on as if technology had never been invented: the law. Lawyers’ working practices “have not changed much since the time of Charles Dickens”, say father-and-son team Richard and Daniel Susskind in their book, *The*

Future of the Professions.

Lawyers still provide high-cost customised advice. The highest-earning legal partners preside over pyramid-shaped firms, raking in huge fees while teams of junior lawyers do the drudge work of searching for precedents and drawing up contracts.

Could that be about to change? Many lawyers sneer at the idea that their work could ever be done by a website or app. But many outside the profession, and some inside, are developing the tools they think will turn traditional legal practice upside down.

They have a powerful argument: few people these days can afford a lawyer.

The cost is prohibitive, says Rosemary Martin, group general counsel at Vodafone. “If we corporations think it’s expensive, I can’t imagine how small businesses and individuals manage.”

Many smaller companies are taking risks. “They’re googling for legal advice. It would make lawyers’ hair stand on end,” she says.



Many people are alarmed by the rising cost of legal advice. “Our system of justice has become unaffordable to most,” Lord Thomas, the Lord Chief Justice of England and Wales, said in his 2015 report to the UK parliament.

£1,000 per hour

The top law firms in the UK and US — the most advanced and competitive legal markets — have sharply increased what they charge. In the mid-1980s, partners at top London firms charged between £150 and £175 an hour, according to a report by the Centre for Policy Studies, a think-

tank. By 2015, this had reached £775-£850 an hour, with this year's range expected to exceed £1,000.

In the US in 2014, 74 firms enjoyed profits per partner of more than \$1m, with Wachtell, Lipton, Rosen & Katz, the highest earners, turning in profits per partner of \$5.5m, according to the journal *American Lawyer*.

While many see the mismatch between what top lawyers earn and what most can afford to pay as a problem, others see it as an opportunity. The legal profession, they say, is ripe for disruption. Cab drivers in London are, like lawyers, highly trained; mastering "The Knowledge", the layout of the city's streets, takes several years. But the cabbies' high-quality, high-price service has been upended by Uber, the app-based taxi hailing system that has brought a flood of lower-cost drivers, using satellite navigation, on to the roads.

A similar thing, critics say, will happen to lawyers.

Dan Jansen is chief executive of NextLaw Labs, a legal technology company backed by Dentons, a global law firm. Mr Jansen, a non-lawyer with a background in management consultancy and technology start-ups, jokes that the Susskinds are being too kind. The practice of law, he says, has not changed "since Magna Carta". What does he see when he looks at the way lawyers work? "A wonderful opportunity for reinvention is the polite way to describe it."

NextLaw is backing legal technology start-ups. Its first investment was Ross Intelligence, a Palo Alto-based start-up launched just over a year ago by Jimoh Ovbiagele and Andrew Arruda. Ross is using IBM's Watson artificial intelligence system to do some of the research currently done by junior lawyers. The pair decided to focus first on US bankruptcy law because they thought it was an area of legal practice that was recession proof. "Bankruptcy is always around," Mr Arruda says.



How does their system work? Say you are a small company, Mr Arruda says, and one of your clients has gone bust. You suspect there are one or two legal cases that will help you recover what you are owed. Whereas a lawyer would have to scroll through precedents, possibly using a computerised keyword search, the Ross system will rifle through thousands of documents to find what the company wants.

The Ross system is in its infancy, as are most of the products that their champions hope will transform the legal business.

“It’s pretty early in the game,” says Mark Harris, San Francisco-based chief executive of Axiom, which claims to be the world’s leading technology-based provider of legal services, with customers that include half of both the FTSE 100 and Fortune 100 companies.

Like the majority of his 1,500 Axiom colleagues, Mr Harris is a lawyer. He worked for Davis Polk & Wardwell, a top-tier US firm, in the 1990s. He realised something was wrong when a partner asked him to prepare a client’s bill. When he added the hours that he had put in, he realised that the client was being asked to pay his entire annual salary for a month’s work. “I started getting obsessed: where is that money going to?” Apart from the partners’ profits, he realised, it was going into art that was hanging on the firm’s walls.

It is not just the clients who were unhappy with the set-up, he says. So were many junior lawyers. “They felt overworked, underpaid and under-appreciated,” he says. In 2000, he and a friend started Axiom to offer cheaper legal services to companies, stripping out cost by having the lawyers work at clients’ premises, from home or from its own warehouselike offices. Over the years, Axiom has increased the use of technology in serving its clients.

Scaling up

Some use Uber to explain how law is being disrupted, but Mr Harris prefers to talk about how aircraft are made. Orville and Wilbur Wright were artisanal builders of flying machines. Today's aircraft are not built by artisans but by industrial manufacturers led by Airbus and Boeing.

Law is still at the artisan stage, he says. Lawyers craft individual advice for clients. The way to bring cost down is to industrialise much of the process. Among Axiom's services are running clients' contracts. "We take all their legacy documents and add structure to that information. At the core of the technology is a data model that links the information within and between agreements," Mr Harris says. "We might look at renewal dates and cross-selling opportunities."

Some products are designed to help in-house legal departments manage their work more efficiently. Riverview Law, a company based in north-west England, is launching what it calls "virtual assistants". Corporate in-house lawyers will be able to use these systems to identify, on a digital "dashboard", the units where problems have occurred, the risk profile of any case, who is working on it and how long they take.



Karl Chapman, Riverview's chief executive, is a law graduate, but has never practised as a lawyer. With a background in human resources and recruitment services, he says he is struck by how little information lawyers and in-house legal departments have about their work, ranging from how much it is costing to how long it is taking. "The absence of data in this marketplace is a real surprise. Retailers and other businesses have real data on which to make decisions," he says.

Much of the technology seems primitive compared to what has happened in other industries. But those who believe in it think it can go far beyond digitising everyday routine processes into doing the kind of complex work that lawyers think only they can do.

So is law approaching its Uber moment? Some scoff at the idea. "People have been talking

about this ever since I've been a lawyer," says one New York lawyer. "I'll believe it when I see it."

Those at the top of the most successful law firms have little incentive to change. The system has served them well. "Most of these people have worked for 20 years to get to the top of the business and now they're reaping the fees," says Axiom's Mr Harris. As partners, they distribute the profits among themselves and have little incentive to invest in new technology. From their point of view, says a marketing head at one US law firm, "there's no burning platform".

There are other forces working in the traditional legal profession's favour. Since the 2007 financial crisis, the level of regulation has increased. And companies are frightened of getting things wrong so they will continue to spend on legal services. This is particularly true when they enter new markets.



There is a "fear factor," says Joe Andrew, Dentons' chairman. "People are always prepared to spend money on the unknown. You go into a new market, there are new risks. [There is a danger of] brand damage. CEOs get fired for that kind of thing."

The customer knows best

But corporate clients are demanding change. Mr Chapman says the increasing costs of law make the existing system untenable. "Customers are starting to rebel," he says.

He says many in-house legal departments have already cut costs. Ms Martin points to Vodafone's negotiation of fixed fee arrangements with its lawyers, rather than accepting billing by the hour. The telecoms provider has also reduced the number of law firms it uses from 70 to 10. Ms Martin believes technology can help departments like hers cut costs even further. "I'm a real believer in it," she says.

In their book, the Susskinds quote Harold Laski, the political theorist and UK Labour party activist in the first half of the 20th century, who said that the expert enjoyed a status “not very different from that of the priest in primitive societies”, exercising “a mystery into which the uninitiated cannot enter”.

Lawyers have long played that role and many will continue to do so. There will probably always be a need for eminent advisers, particularly to companies. But for those who are unable to afford legal advice, technology offers some hope. It has a long way to go, but Ms Martin argues that if new applications can be made to succeed, they will bring great rewards to the sector.

Greater use of technology will not only make law cheaper, it will also take some of the mystery out of it. The aim, she says, should be “for companies and individuals to be able to do more legal work themselves. [Then] it wouldn’t seem special.”

Predictive role of data modelling set to expand

One of the most important questions any client going to court asks a lawyer is: which way is this case likely to go? Faced with an expected loss, a client would be more inclined to settle. More sure of victory, they would probably go ahead. The stakes and the costs are high. Much depends on the lawyer’s experience and instinct. Could a data-driven approach work better?

Over a decade ago, a group of US academics set up a contest: humans against the machine. Each side would attempt to predict the decisions of the US Supreme Court in the 2002 term. A group of experts used their knowledge of the law and of the justices’ behaviour to forecast the outcomes. The researchers fed data from 628 cases into their computer model. The results were startling. The experts’ correctly predicted 59.1 per cent of the court’s decisions, but the model got 75 per cent of them right.

In 2014, Daniel Katz and Michael Bommarito of Michigan State University and Josh Blackman of South Texas College of Law, attempted something more ambitious: seeing whether they could build a data-driven model that would correctly predict Supreme Court verdicts between 1953 and 2013 using only information available before the date of the decisions. This model would have to deal with justices’ deaths, retirement and new appointments to the court. Once again, the results were impressive. The model correctly forecast 69.7 per cent of the court’s decisions.

Could data-driven models help make better legal decisions?

“Simply put, the answer is yes,” Prof Katz wrote in a 2013 paper. “Quantitative legal prediction already plays a significant role in certain practice areas and this role is likely to increase as greater access to appropriate legal data becomes available.”

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