

# THE RISE OF LEGAL TECHNOLOGY

By Juan Carlos Luna

**LAWIT**  
Law + Innovation & Technology

**Lawgistic**

**A TRANSFORMATIONAL  
OPPORTUNITY FOR THE  
MEXICAN LEGAL  
ECOSYSTEM**





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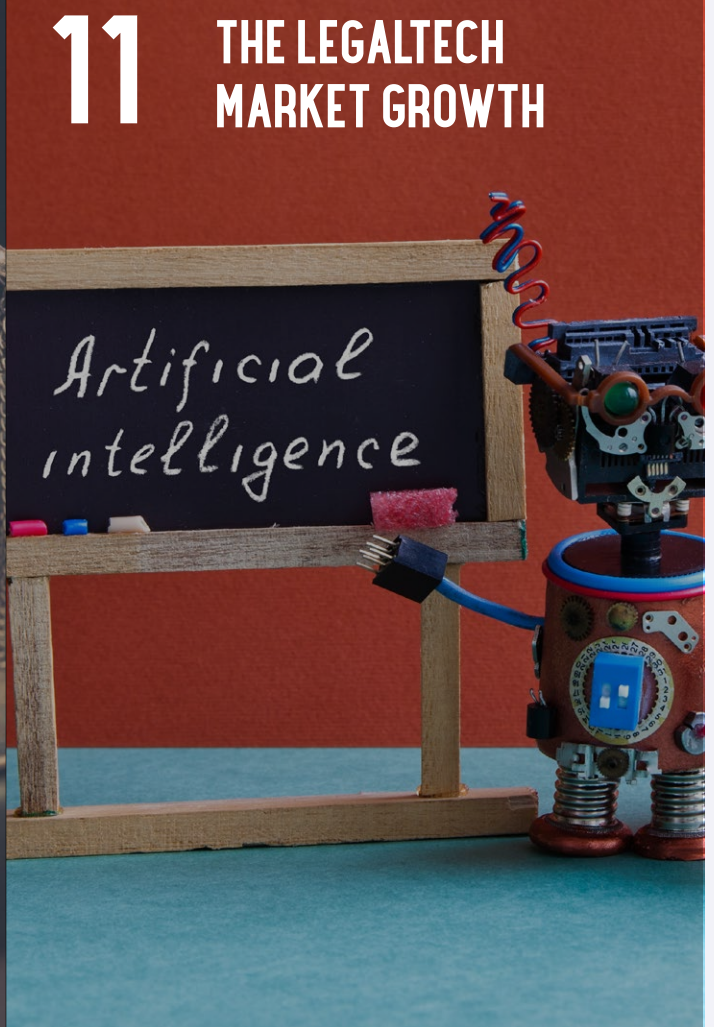




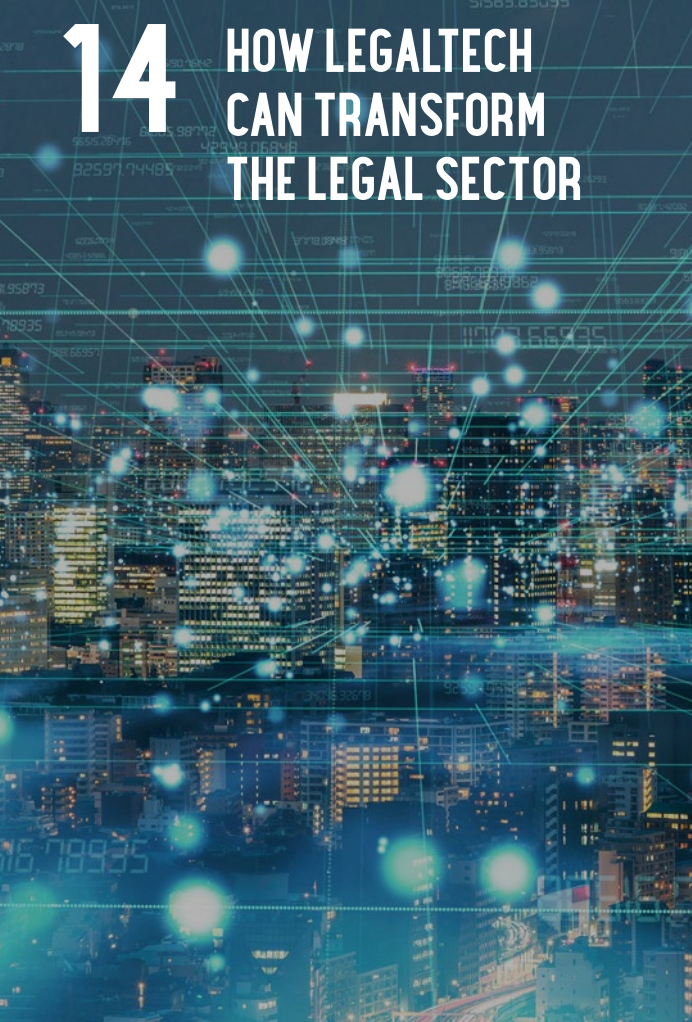
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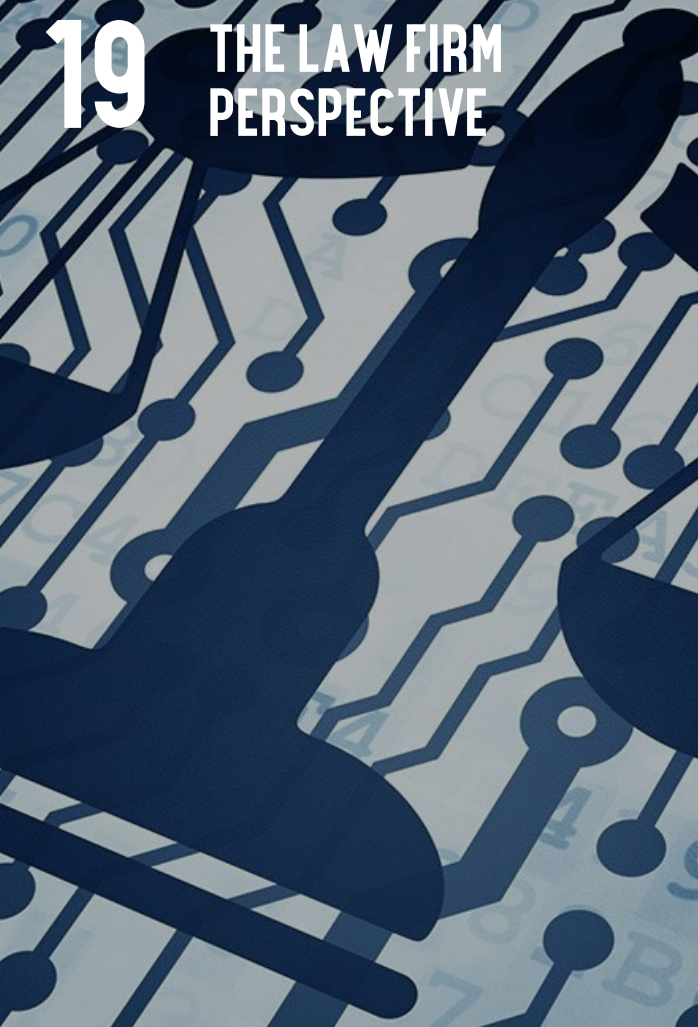
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# INTRODUCTION


We are seeing a variety of new and different practice models, but collectively they all point to a fundamental shift in the foundations of the legal market. While the market has stabilized over the past decade to produce respectable, though unremarkable, performance for most law firms, there is also mounting evidence that clients, alternative legal service providers (ALSPs), and even many law firms are now operating under a different set of assumptions about how legal services can and should be delivered, consumed and paid for.

The current disruption, fuelled by the economic crisis derived from the pandemic, will change how we work and how business interact with lawyers, and how lawyers plan and execute their work. With the world going through dramatic change, there is no doubt that the concept and context of legal innovation and the development and adoption of technology is more important than ever before.

COVID-19 has created a deep economic crisis. This will leave many businesses in a precarious state and will put pressure on all decision makers as cost reduction will be an immediate and urgent reaction to survive. This will be the main accelerator which will increase focus on cost control, effectiveness, efficiency, value added and simplification, for all service providers.

The immediate economic impact of the lockdown has been felt across the legal market on a global basis. However, we need to understand that digitalization per se, does not solve the potential structural deficit faced by many legal organizations. That is why it is so relevant to begin with the right steps. Change for the sake of change is never a good strategy. Reacting to chaos without a plan is not a strategy, especially now, when we consider that more than facing a new normal, this is a continuation of the legal disruption trends that started many years ago.

In a very summarized reference, it is important to mention those key moments and circumstances that put enormous pressure to the legal industry and revamped the realization that the legal industry had to adjust and change.



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# MEXICAN LEGAL SYSTEM OVERVIEW

The Mexican legal industry faces significant challenges and opportunities, as the global trend shows a path for transformation, especially as we face a deep economic crisis and a need to use technology tools to better operate.

In time of turbulence, the biggest danger is to act with yesterday's logic. Mexico has that challenge, but it also has a great opportunity to grow the development and impact that new players in the field of legal technology can have, and to introduce such tools into the legal system and reap the benefits.

We must acknowledge and respect the forces that have created the current market dynamics, and fashion remedies that swim with the tide of economic change rather than rail against it.

The law firm business model, and the in-house legal structure and operations, are facing tremendous pressure to transform into effective and efficient organizations that add measurable value, and the secret weapon is a combination of these factors: Culture, Business Model, Innovation and Technology.





## WHO IS FEEDING THE NEW LAWYER'S MIND?

In Mexico, according to INEGY and ANUIES there are close to 2,000 accredited Law Schools. During the past year, the estimate is that 1.5 new Law Schools are formed every week. However, from 1945 to 2018, 47% of the total graduates came from only 13 universities.

More than 50% of law school graduates since 1940 graduated within the last 10 years. Male lawyers have slightly exceeded female lawyers by around 8%, which marks a truly relevant and significant trend in the last 10 years. However, for the last academic cycle, according to ANUIES,<sup>1</sup> applications for first year law school reached 143,779, and probably for the first time, women registrations were above that by men.

Each year, there are entering the legal industry more than 50,000 new lawyers, 80% of them receiving final legal accreditation; and again, women are slightly above on the percentage.



The expansion in the lawyer population has been accompanied by greatly intensified competition among law firms for legal business. Objective business considerations are the controlling factor in lawyer-client relations. The increasing importance of developing new business through innovative formulas and the use of technology is of key relevance, and it is growing. Entrepreneurial capability is starting to be held in high regard. This shows a reality that is just sinking in the legal scenario, so its potential is incredibly significant.





There is no doubt that there has been significant growth in the number of law graduates, but it is also a reality that the sector has lagged behind compared with what we see happening in other regions, in terms of focusing on legal innovation, disruption, and curricula transformation to better prepare young lawyers to increase their chances of success in a legal field that is somehow ill equipped when dealing with the redefinition of the business of law.

There are good examples in other countries, some with closer proximity in terms of their visibility and influence in Mexico, such as the USA and Spain, that are influencing our local reality. International academic institutions are paving the way to add more innovative contents, specific research and legal innovation centers, more targeted legal technology trainings and courses, and so on. There lies a huge opportunity that must be met as soon as possible in the Mexican legal and academic reality, to be able to better understand and implement legal technology tools to help provide better and more efficient legal services.

Law schools can contribute to a future lawyer's ability to do excellent legal work, but they are still not perceived as leading change agents that could teach or cultivate entrepreneurial abilities. That ability has become a crucial factor for a successful future in legal practice.

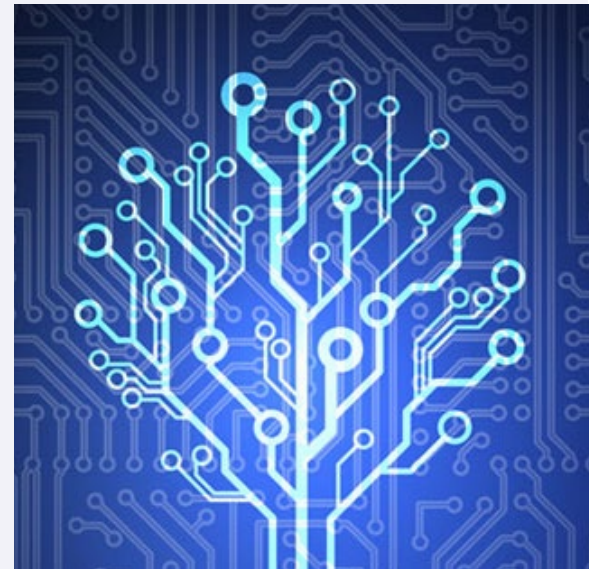
<sup>1</sup>The Mexican National Association of Universities and Higher Education Institutions.





# EMBRACING TECHNOLOGY

There is no argument against the fact that technology is transforming every sector of the economy, and the legal profession is not and can never be considered as an exception. The digital economy continues to grow and expand, and lawyers must also position themselves to be able to respond using similar tools that have been adopted in other sectors to increase their effectiveness.



It is also evident that the legal profession in Mexico has not benefited from technology like other industries have. But in recent years we have started to see the initial stages of a transformational change that, if it sinks into the new legal mind-set, will inevitably be a key to a better legal system overall.

This transformation, often referred as the disruption of the legal industry, relates to a concept that was non-existent ten years ago, and now is becoming a more familiar concept,



one that need a more robust push, in terms of visibility, best practices, leadership, influence, commitment, synergies and coordination with other players that have not been related to the legal practice. That by itself is one of the most relevant aspects that need to sink in, in every lawyer, from any sector, law firms, in-house, academy, judiciary, etc. In each of those segments, Mexico has just started to open to such new trends and demands.

Legaltech has achieved different levels of development and relevance, depending on the country or region in question. The Mexican legaltech ecosystem is at an early stage and is beginning to bloom with new start-ups and services entering the market. But probably most relevant is that fact that it is a topic that now sits on the agenda of decision makers both from the law firm environment, the in-house perspective, the academic approach, the client's demands and the regulatory, administrative and judiciary perspectives. Again, this is just happening, and not necessarily as a coordinated effort, but more as an urgent reaction not to be left behind.

This early reaction, either by the expansion of knowledge, curiosity or alarm, started with the realisation that disruption refers to the process by which an industry dominated by high cost and complex products or services is transformed by innovation, to achieve certain key elements, such as: (i) efficiency; (ii) simplicity, (iii) convenience, (iv) accessibility, and (v) affordability.

There is no doubt that clients' demands for simplicity, convenience, accessibility, and affordability of legal services is creating a catalyst for legal disruption — just as it has been in other industries. It is a reality that other regions have advanced much faster in reacting to these challenges and opportunities. The wakeup call is undeniable; Mexico must react to embrace legal innovation and the application of technology to the law.

Technology is the means and the principal catalyst by which disruption is already occurring, providing client access to a wide range of providers who will operate in a model that enables them to reduce the cost of legal services.

Legal technology (Legaltech) refers to the use of technology and software to provide many activities that relate to legal services. Legaltech companies are generally start-ups founded with the purpose of disrupting the traditionally conservative legal market. In the Mexican legal market, we have started to see the emergence of digital lawyers, embracing technology tools, as well as legal entrepreneurs investing in new legal tools. But again, we are witnessing the first steps.

From a different perspective, it is also notable that law firms, not typically associated with the fast-paced world of tech start-ups, are waking up to the value of being closer to the action.

Technology has flooded business across the board, and as we mentioned the legal services industry is no exception. The sector now faces the task of implementing legaltech into its practices, both in large law firms and start-ups, to stay ahead of the curve.

Law firms and in-house counsel face a particularly important challenge, and at the same time relevant opportunities are being opened to legal entrepreneurs, as they create better ways to provide, manage research and conduct legal services.





# MEXICO MARKET OVERVIEW

Market potential is an important item to be analysed on any transformation and innovation effort as the bigger the market potential, more players will invest time, money and energy on bringing innovative solutions and creating companies to tackle the clients' needs.

Mexico has an impressive number of legal claims (or lawsuits) of every type and nature. We face the bureaucracy of a judiciary that is swamped with cases and regulatory bodies unable to properly react and provide their required support on legal related activities, because they lack the proper means to be more agile and efficient. Just a small fraction of cases are digitized, although some advancement has been made to give access to new legal processes. There are still huge challenges with the number of claims and public information and registrations digitization,



but with already existing technology solutions, we see opportunities to advance in these areas, if there is the political will, and proper operation to make it happen.





Certainly, the country faces many important challenges, to properly deal with the new challenges faced not only by those in charge of managing, administering, measuring, and coordinating all aspects of the legal system. Questions also arise on the proper legal and public policy frameworks for dealing with the challenges that the expansion of technological transformations, specifically those dealing with privacy and data protection, cybersecurity, and autonomous machines, to mention a few important topics.

The market is open to most of the Legaltechs that have focused on providing services to the lawyers, the law offices, the in-house legal departments, and the courts. It is true that the amount usually spent by clients on solutions for the legal space is still low, but that is starting to change as lawyers, law firms, in-house legal departments are joining the transformation and innovation path, and the solution providers are working to prove more value out of their offerings.



# THE LEGALTECH MARKET GROWTH



There are already some Legaltech ventures (Legaltechs) in Mexico, but in the recent years, we have seen more growth of new companies.

We are also seeing an increasing number of lawyers, law offices and in-house legal departments joining legal innovation efforts both from an academic perspective but also from a very practical approach through legal summits, seminars, Bar Association events, etc. on a quest for innovation and technology information to start the transformation and innovation journey with their ventures.

As the market segment for legaltech expands, we also see some aspects that may be at the forefront of this revolution. Below we rank aspects of the legaltech market in terms of relevance and impact:

## ACTIVE AREAS

- Legal content, education, and consulting – Information portals, legislation, legal news and articles and other consulting companies providing specific services in this field.





- Compliance – Solutions that offer a set of disciplines to make the companies comply with the set of disciplines, government legal norms, investigations, legislation, and enterprise policies.
- Document management and automation – Legal document automation software and contract lifecycle management solutions.
- Management of law offices and the in-house legal departments – solutions to the information and claim management for the law offices and the in-house legal departments.
- Professionals' network – Networks to connect legal related professionals, which make it possible for people and companies to find lawyers.

#### **IN PROCESS OF NEAR-TERM DEVELOPMENT**

- Legal content, education, and consulting – Information portals, legislation, legal news and articles and other consulting companies providing specific services in this field.
- Compliance – Solutions that offer a set of disciplines to make the companies comply with the set of disciplines, government legal norms, investigations, legislation, and enterprise policies.
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#### **IN PROCESS OF MID-TERM DEVELOPMENT**

- Smart contracts
- Online Dispute Resolution – companies dedicated to the online dispute resolution through alternate ways to the legal court claims as mediation, arbitration, and deals negotiation.
- RegTech – Solutions to solve problems generated by the regulatory requirements.
- Public data extraction and monitoring – extraction, monitoring and management of public legal information, such as case publications, claims, legislation, and other documents.
- Do it yourself – Self-service legal solutions

#### **FUTURE OPPORTUNITY FOR DEVELOPMENT AND DEPLOYMENT**

- AI for the Public sector – Solutions that use Artificial Intelligence for the public sector.
- Block chain for public procurement processes
- Analytics e Jurimetrics – Jurimetrics and data compilation and analysis platforms
- Public service automation





Another relevant challenge and opportunity are the capacity to showcase legaltech's solutions, tools, apps and processes, so that the legal market can have visibility on those players and their solutions.

We are lagging other countries in terms of organising legaltech symposiums to showcase the capabilities of Mexican legaltech players. That is why it is fundamental to increase the number and quality of the legaltech and innovation events, academic seminars, legaltech competitions, online publications, specialized blogs, and other relevant communication efforts that can shed more light into this new market, so that legal industry players can become more interested in change and transformation as they notice that successful innovation is the result of the joint collaboration.

A good example is the LAWIT LEGAL SUMMIT and the WORLD LEGAL SUMMIT (Chapter Mexico), along with other very notable events and forum organized by the Legal Bar associations (ANADE, BMA, Abogadas MX), academic institutions and also specialized publications such as Foro Jurídico, Thomson Reuters, Lex Latin and regional publications. The joint effort to put these topics in the main agenda of law firms and general counsel is a condition required for its successful adoption.

Only the combination of efforts from various different activities and the expertise of different professionals, that show the benefits and new conditions to survive in the legal space, will have the triggering power to move towards the transformation of the legal industry in Mexico.



# HOW LEGALTECH CAN TRANSFORM THE LEGAL SECTOR



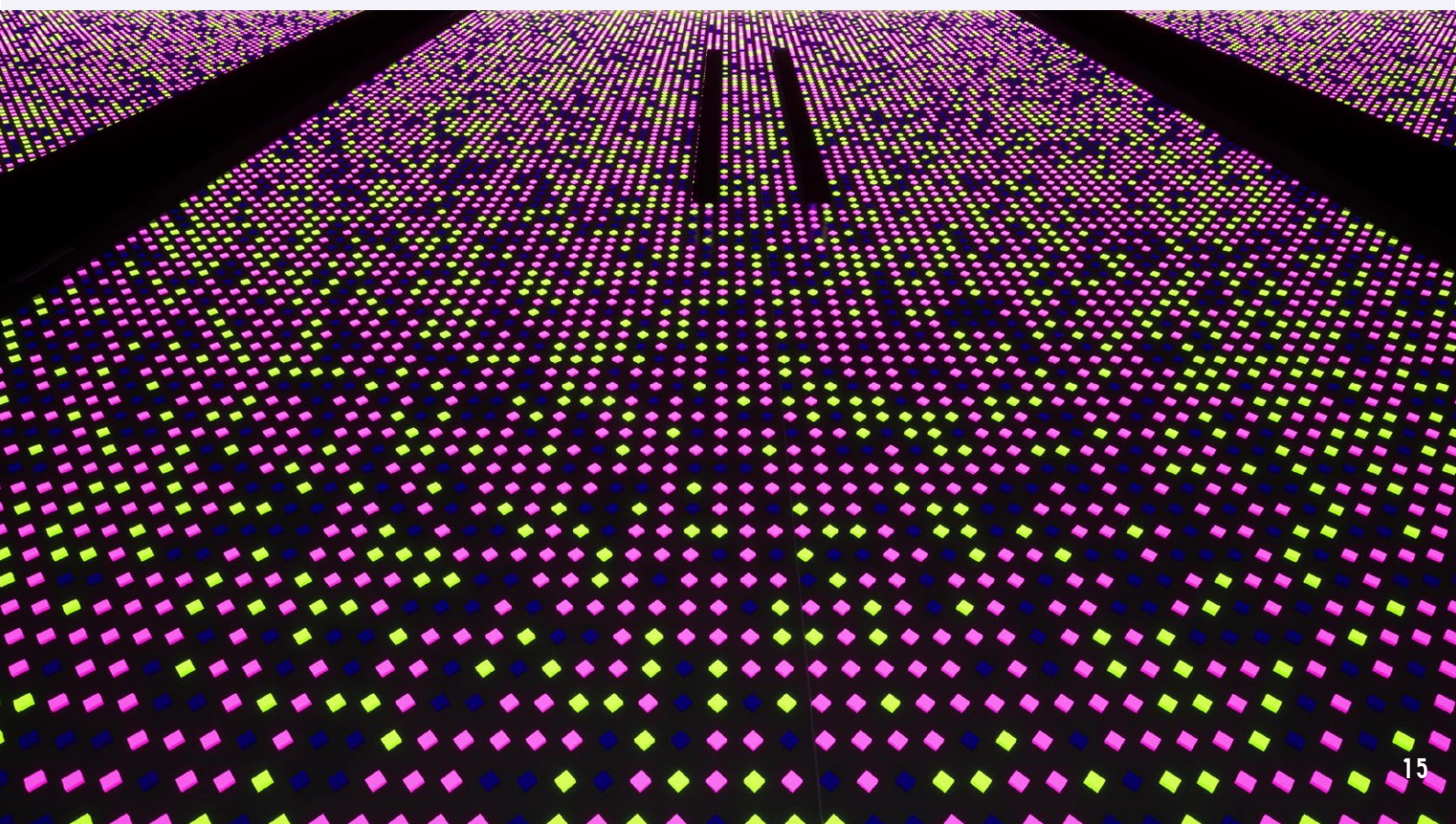
Innovation may be difficult for lawyers to adopt, under their traditional mind-set and training background. The legal industry has always been reluctant to change and evolve along with other professions.

The best example refers to the major change that legaltech can provide to help overcome the transparency and efficiency of a firm's spending and billing. In recent years, clients have been more thorough with their billing and spending on legal (and other) services, resulting in a need to be more transparent and efficient. As the global digital economy continues to develop and grow, better service tools are required.

In terms of technology, one of the primary effects and purposes of the legaltech industry is to introduce a heavier tech component into the legal practice, consequently changing the way lawyers do things. It is necessary to understand whether these changes or implementations will cause true disruption to the industry or simply a small boost in the time taken to deliver work to clients. It will depend on various circumstances, for example the degree of comparative knowledge, best practice understanding, academic curricula transformation, introduction of new players into the legal sphere, reaction, commitment and leadership of law firm partners and GCs, and of course the client pressure to obtain better legal services. No one can deny that it is a global trend and reality, that clients want to get more for less, from their legal providers.

Legaltech is undeniably a desired element breaking into the legal sphere, which plays an essential role in a world dominated by large firms that will eventually have to offer their support and use their technology to improve the delivery of legal services.

The role of artificial intelligence and machine learning will transform the practice of law. These technologies will help revolutionize the legal landscape as we know it and develop new areas where their influence will completely transform legal services, such as e-discovery in litigation, automated and intelligent due diligence processes in compliance and M&A, and smart contracts. These examples, which cannot be addressed in the same manner, represent different perspectives towards future innovations within the legal field.



# CHALLENGES AND OPPORTUNITIES IN THE LEGALTECH COMMUNITY IN MEXICO

In simple terms, there are many important challenges, but they can be overcome.

There still exists a general lack of awareness of cloud apps' potential in the legal community. Most people are still not aware that cognitive software and workflow automation is so much easier to deploy now.

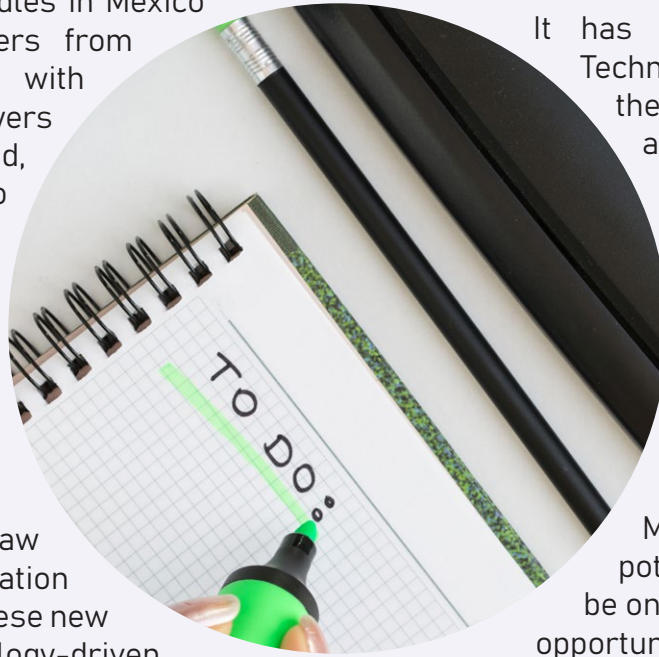
There are also cultural hurdles in Mexico that are preventing lawyers from embracing legaltech. But with the arrival of younger lawyers that are native to the cloud, we should be catching up to more developed countries in the next five years, especially since AI and blockchain are becoming such hot topics not only in legaltech but also markets like fintech.

New business models for law firms are also driving innovation in the sector, and many of these new business models are technology-driven, focused on moving the industry online to boost efficiency and make services more accessible. We are also seeing a new generation of digital lawyers whose influence has already started to be perceived. The importance of publications, blogs, online reports and events, give these new players a very relevant scenario to show their leadership and to multiply the curiosity factor for the rest of the legal community to embrace the focus on legal disruption.

The pace of transformation and innovation has started to increase in some of the legal profession in Mexico.

The legal practice took more time to start experiencing profound changes, but we already see an increase of solutions, technologies and more importantly, a new ongoing mind-set that combined make the perfect opportunity for big and deep transformations.

The main impact on the legal profession is the change in the current day-to-day business as there is a growing potential for the lawyers to free themselves of manual, bureaucratic and repetitive tasks, and devote more time to the complex cases that require logical reasoning and sensibility. Once this transformation process is in place, lawyers will be free to develop and rely even more on their emotional intelligence. It will enable them to use their full human capacity to execute their business with expanded quality and more efficiency. It will improve their services provided to the clients and the community.



It has become obvious that Technology is revolutionizing the legal work we do and how we do it. Increasingly, artificial intelligence (AI) and robots are taking over repetitive tasks, leaving humans to concentrate on work that requires critical thinking.

Mexico has a big potential market and can be one of the most promising opportunities on an international scale, which are transforming and innovating the legal space. With the proliferation of legaltech start-ups and new apps on the market seemingly every day, lawyers are in a prime position to take advantage of innovations that offer the possibility to achieve what once seemed unachievable – doing more with less.

Perhaps no legal technology has grabbed as much of the spotlight in recent years as AI. As AI's capabilities in law continue to expand and its use becomes more widespread throughout the industry, lawyers are coming to a better understanding of what AI technology can offer.





**“MEXICO HAS A BIG  
POTENTIAL MARKET  
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With the help of AI, streamlining legal operations is a real possibility, allowing lawyers in all walks of practice to improve operational efficiency while reducing both costs and risk.

Increasingly, AI and other technological tools and solutions are taking over high-volume repetitive tasks as well as other legal related activities, leaving lawyers to concentrate on work that requires critical thinking, and providing them with valuable modern tools.

As software solutions help to make available more efficient legal processes and management tasks, they are helping proactive lawyers to do more, faster and simpler.

It is undeniable that AI is dictating the way that professional service is being provided. However, today, we as legal professionals are playing catch-up, in comparison with the advancement and maturity level of other industries.

Part of this is because of the fear and misconception that Technology will replace lawyers. It is obvious that human professional skills are and will continue to be needed to analyse and provide professional judgement and sound legal advice. However, it is true that technology (called in different manners...robots, Bots, digital systems, software, data management, machine learning, artificial intelligence, block chain, etc.) offer the chance for proactive legal professionals to gain an incredible competitive advantage by re-designing the business of law and reinventing their practice, in order to remain relevant.

New legaltech can drive efficiencies, expand reach, gain and better manage information, increase accuracy, simplify processes, assist with client intake, satisfaction and retention efforts, and have the potential to reduce overheads, operate more effectively and drive greater profits. Who in their right mind would not want to pursue these results?

Only those in-house counsel and practice attorneys, who embrace legal disruption and try to lead on its transformative power, will be able to gain such an important competitive advantage and survive in the (R)evolution of Law.





# THE LAW FIRM PERSPECTIVE

Those who wish to rise above the disruption, will have to deal with technology that swallows billable work, a world market that takes the competition international, and a more sophisticated corporate client with vast knowledge available at the click of a mouse. As the balance of power shifts from traditional law firms and toward clients and a raft of tech-savvy legal services vendors, the price of continued prosperity for lawyers is going to be innovation and doing more with less.

A new breed of legal services vendors that combine sophisticated technologies and work processes is emerging. They are being accelerated by the economic pressure and the disruption acknowledgement, and their growth in numbers is picking up pace. In ten years, the profession will be quite different.

As firms resist change, their clients become more likely to vote with their feet: taking more work in-house, experimenting with smaller-market/lower-cost firms or giving work to legal process outsourcers, all of whom have greater flexibility to innovate. The 21st century is sure to give rise to a new generation of legal entrepreneurs who create novel ways to adapt to the needs of clients. Successful innovators will grapple with the three interconnected forces that make change inevitable:

**01** More sophisticated clients armed with more information and greater market power to rein in costs.

A globalized economy, which increases the complexity of legal work while exposing lawyers to greater competition. **02**

**03** Powerful information technology that can automate or replace many of the traditional, billable functions performed by lawyers.

Law firms of all sizes cannot escape the pressures for change and therefore must engage in new thinking and new approaches to remain viable, stable, and competitive.



A commonly voiced opinion these days is that law firms need to change their business model. We all might agree that the model for rendering legal services needs significant consideration and perhaps even an overhaul, but it isn't required in every sector nor must it happen immediately. What is required is for every law firm to examine the way it serves clients and ask the difficult question: "Can we do this more efficiently?" In almost all instances the answer will undoubtedly be "Yes," and, notwithstanding a reluctance to change, the next question should be "How?" And here lies the benefit of how legaltech can be that answer.

So, what should a law firm do? They must deal with becoming more efficient now. It is not easy because it involves management attention, personnel decisions, new methods of working, and new ways of thinking. But the pursuit of efficiency is never a bad thing and is looked upon favourably in any economic market.



# A CORPORATE PERSPECTIVE

In Mexico, legal departments have traditionally been viewed as protected from the challenges faced by the average business function, however the aftermath of the global economic downturn has transformed the way in which legal services are provided. Growing client demands mean in-house legal counsels are under increasing pressure not only to control costs, but to improve efficiency and productivity.

Both in-house legal teams and law firms face new demands. Business is driving the change. In a world that expects speed and agility, everybody faces the challenge of how to be more effective and efficient, while generating value to the overall business operation. Therefore, like many other business functions, legal services are no exception and need to be able to manage the new reality, of setting a plan to adopt and apply new operating models, new tools, new technologies, and at the same time controlling costs and carefully designing strategic and modern engagement approaches.

Just a decade ago lawyers had a clear path ahead and little to no alternative competitors. It was a legal profession designed by lawyers, for lawyers – and run by lawyers.

Then it all began to change. Clients changed, and new legal industry players emerged. The upheaval of a global financial crisis made the customers of legal services more cost-conscious and value orientated. Where once they were satisfied with lawyers who understood the law, today they want much more for less. Law firms and legal departments are under increasing pressure to deliver faster and better service while becoming more efficient and agile. This is a trend that has impacted the Mexican legal industry, just as it is a reality in every other country.

Over the past few years, the in-house legal function has started to undergo significant changes as the pace of globalisation accelerates and the business world evolves thanks to technology. Today, in-house counsel have to contend with better tools,





with a myriad of laws and internal management processes that can certainly pose a challenge in itself for any in-house legal team looking to control and reduce risks and protect the reputation of any organisation and its stakeholders, while adding measurable and practical value. However, trying to do all of this with old tools and with the added pressure of reducing costs and with increasingly limited resources, is a more complicated and difficult task.

With all these elements pushing for change, law departments are faced with far more than a strictly legal challenge. Client demands have changed and continue to do so and in-house counsel need to be able to respond to such demands through improvements in many areas, including planning, management, budgeting, staffing and operations as well as fulfilling their legal obligations with dramatic efficiency.

The reality is that there is a need to show continuous improvement in legal operation. Lawyers need to show that these improvements can be achieved all over again, as well as showing how you can reinvent these solutions to cope with new realities.

Clients continue to demand more efficiency, transparency, and predictability from their lawyers (internal and external) and each one is expected to add measurable value to the organisation, resulting in the internal legal function being evaluated like other areas of the company. It is therefore becoming more and more common for in-house counsel to be held accountable for costs and effective management as well as the provision of quality legal services.

A strong understanding of the business requires that in-house counsel be better equipped to understand the need for their legal services and be better able to know what tools are necessary to be deployed, as well as knowing when to seek outside help and which type of legal support formula and structure is best for each company.



# A GLOBAL PERSPECTIVE

Regardless of the maturity gap that exists across one region to another, or from country to country, it is especially important to keep an eye on what are the global trends and transformation effects on the legal industry. Only learning from other experiences, both positive and negative, can give the necessary perception and motivation to implement smart strategies.

Legal Disruption on a global scale is clearly happening and its influence must be noted. Just to mention a few critical samples, we can point out the following:

◀ There was an over fourfold increase in global patent filings for new legal services technology from 2013 to 2018,<sup>2</sup> which represents a clear signal about:

**a)** the distinction between legal ‘practice’-- differentiated legal expertise and skills— and ‘the business of law’—the means by which legal services are effectively delivered.

**b)** the integral role of technology in legal delivery.

**c)** the ascendancy of tech and process-enabled models that leverage and reduce ‘practice’ and expand automation and the role of lower-cost resources.

**d)** legal digitization-tech that creates connectivity between consumer and provider, real-time communication, automation, cost and risk reduction, and enhanced customer experience/satisfaction; and

**e)** customer demand for alternatives to the traditional ‘practice model’ of legal delivery in a digital age.

◀ The hundreds of global patents relating to new legal services technology filed in the past few years reflect the rise of alternative legal services – such as virtual law firms – and the rapid expansion of the online legal industry.<sup>3</sup>

◀ Online Legal Industry revenues have skyrocketed in the last 10 years.

<sup>2</sup>Barney Thompson and Nian Liu, “China Leads the Way in Legal Technology Patents, New Figures Show”, Financial Times (17 February 2019) <<https://www.ft.com>> (accessed 1 September 2020); citing figures from Thomson Reuters.

<sup>3</sup>Thomson Reuters, “Thomson Reuters Analysis Reveals 484% Increase in New Legal Services Patents Globally as Law Firms around the World Invest in Legal Tech” (15 August 2017) <<https://www.thomsonreuters.com>> (accessed 1 September 2020), citing data from The World Intellectual Property Organization.



This trend is in large part being driven by businesses and individuals looking beyond traditional channels for legal advice. It comes as firms aim to increase efficiency and implement low-cost operating models in an increasingly competitive market.

If there is any doubt of technology's impact on legal delivery, here is additional evidence.... Follow the Money.

The smart money—and lots of it—is investing in legal technology companies. During the past five years, more than a billion dollars has been pumped into U.S.-based 'legaltech,' and there is no sign of a let-up.

More legaltech financing deals were closed last year than ever before. AI and its application to legal delivery has picked up considerably during the past few years. Investors, entrepreneurs, technologists, providers, and legal consumers see the global industry's growing appetite for digital solutions.

Technology, of course, is a means to an end in streamlining legal delivery; it is not an end unto itself. To be effective, technology must not only achieve ends that produce benefits to user and ultimate consumer, but it must also be user-friendly. That requires an understanding of practical issues (what's important); business of law (operations designed to deliver services optimally); technology (how best to build it); and users (how to make tech user-friendly to provider/consumer and compatibility with existing tools). Translation: tech solutions require an interdisciplinary effort that involves all key stakeholders in legal delivery, not just techies.

Management, e-discovery, and other high-volume areas— are standardizing, automating, and 'productizing' what were once labour-intensive tasks performed by lawyers at law firms. Institutional money is betting that legal services—like so many other industries—will be transformed by tech-enabled, process driven, client centric providers.

Technology is impacting the legal industry in many ways: narrowing 'practice' and expanding 'business of law' (legal operations); creating new business models; accelerating the 'corporatization' of legal delivery (corporate models replacing the law firm partnership as the dominant structure); infusing capital; replacing stasis with innovation; producing a new buy/sell dynamic; and rebooting customer expectations of how, from whom, and at what price legal services are bought and sold.



# THE YEARS AHEAD

There are too many places within the traditional legal community where resistance to change will weaken and ultimately collapse. We will see law firms that decide to try to stop the legal disruption train disappearing, we will see a rise in the influence and competitiveness of new legal business models, and an increase in alternative business structures, all impacting the legal profession to restructure and reposition itself for a more competitive future. Legaltech will play a key role in such a scenario.

We see many voices chanting that it is time to invent the future and to join the evolution of Law. The economy is not what it once was, and the mindset that will bring success in the future is not the same as the mindset that brought success in the past. The best way to predict the future is to invent it. This concept may not resonate with all, but it will resonate with a few of the outlier firms — and these outliers will design the law firms of the future.

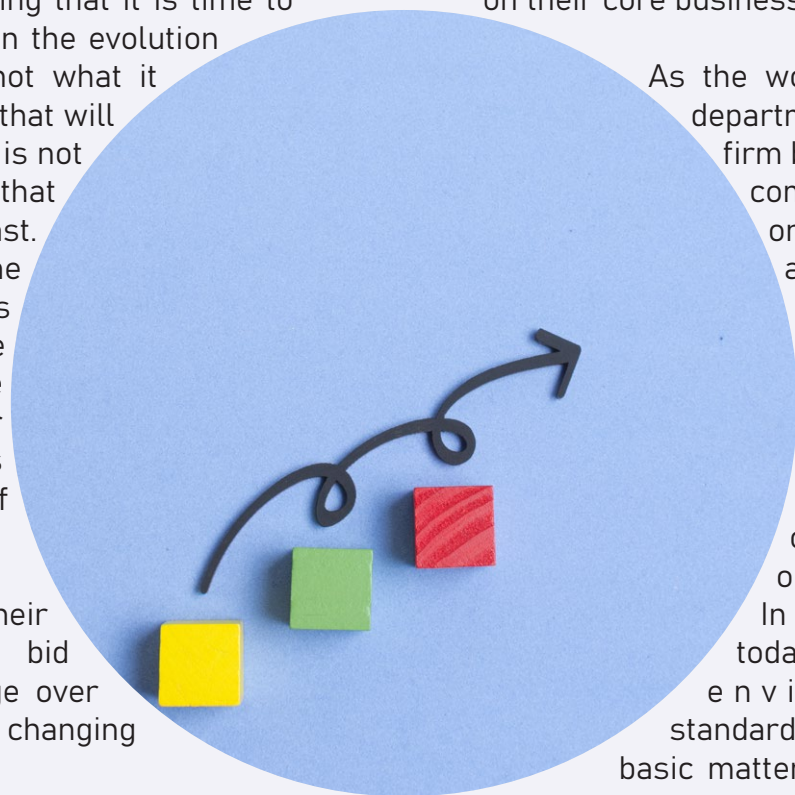
Law firms look to update their technology systems in a bid to steal a competitive edge over laggards who fail to see changing business needs.

New technologies and innovative solutions can dramatically alter the way in which legal services are delivered and for this reason are fast becoming the most important foundations on which to build success and maintain a competitive advantage.

Technology can create new value in the legal services market. It is not just about clients pushing down on fees and firms introducing automation to deal with that. Technology can also create new value in the legal services market. The biggest risk is underestimating the importance of competitive issues such as these.

Firms need to take a long, hard look at their business model, structure, offerings and what they can deliver to potential clients. Tech is going to become a differentiator. If a firm gets its strategy right in this area, then it will gain a competitive advantage.

Technology, different type of software tools and solutions, including Robot lawyers or artificially intelligent software offer law firms an opportunity to enhance and expand their practice while allowing the legal experts to concentrate on their core business



As the work of a legal department and a law firm becomes more complex, a focus on adopting advanced technologies and improving process has emerged as key to improving overall operations. In fact, in today's digital environment, standard tools as basic matter or document management systems do not do

enough to accommodate the day-to-day tasks of in-house counsel or law firm.

The benefits of adopting new technologies can be wide and varied, including greater, faster, and more accurate access to knowledge, information, and documents at greater speeds, improved work efficiency and better task management. For example, if you look at information management, the old way was the filing cabinet and ...now it is the cloud. This not only centralises information, but it also helps to create a practice of law that is more flexible, smart, simple, and immediate.



Many mobile devices can now handle complex tasks, while also allowing lawyers to access and use material securely at any point in time. In addition, systems to measure metrics or Key Performance Indicators can also prove especially useful for implementing strategies and in identifying areas for development which can lead to substantial improvements in efficiency and profitability.

Technology has levelled the playing field. Years ago it was very difficult to find a solution that could offer strong, practical and focused solutions dealing with the management of your contracts, litigation and other legal activities and services, but today you can buy the app, or the software as a service licence very easily, meaning that

technology has in a sense democratised the capability of legal service providers and facilitating the access to users.

Law firms and corporations harnessing these technologies stand to gain a significant competitive advantage. The peril of the technology revolution comes in two forms. First, it will apply new pressures on traditional pricing models for legal services. Second, it poses new obstacles for junior associates and paralegals, whose role in a firm may be jeopardized, but promises opportunity for lawyers and legal professionals incorporating technology into their skill portfolios.

The transformational opportunities provided by new technology and innovative approaches to the legal profession go far beyond the benefits of cost savings, and their proper use can enable in-house counsel and Law Firms to faster react to business trends and needs, while focusing on core business activities and working to the best of their abilities in a more efficient manner.

Technology is clearly revolutionizing the work we do and how we do it. AI and machine learning are already part of our daily lives. And these technologies are now progressing into more complex tasks. The opportunity is still to be exploited as more legal activities are coordinated using such tools.

In summary, the legal industry needs to understand that contrary to its long tradition of exclusive ownership and control, now legal innovation centres, academic institutions, legaltech hubs, entrepreneurs, influencer's blogs, legal innovation experts, legal management consultants, investors, inventors, different professional minds, and clients... are all taking a stance, guiding the process and helping to transform the legal profession.

The message is clear: a revolution in legal services is underway, and lawyers not reacting to this new reality are taking the biggest risk.





Change has arrived at the Mexican legal industry, and it is transforming it. We must acknowledge and respect the forces that have created the current market dynamics, and fashion remedies that swim with the tide of economic change rather than rail against it.

The potential for new technologies to disrupt the market for legal services is significant. A quiet “evolution” is occurring as new digital tools are being integrated into traditional practice settings at a rapid pace, creating technology-based solutions to increase the effectiveness of legal services.

Let us be clear, Technology does not mean the end of lawyers... it will empower good lawyers to be even better.

# JUAN CARLOS LUNA BARBERENA

## About the Author



Juan Carlos is managing director of Lawgistic, an international legal consulting firm. And co-founder of LAWIT, a legal innovation and technology consulting firm, focusing on the transformation of the Business of law, supporting both legal departments and lawfirms to enhance their value added through legal operations efficiencies.



[Juan Carlos Luna B.](#)



[luna@lawgistic.com](mailto:luna@lawgistic.com)



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