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THE FUTURE OF **LEGAL TECHNOLOGY**

HOW TECH CAN BENEFIT YOUR FIRM AND
ITS PRIVATE CLIENTS



edilex

White
paper

In 2021, legal software firm Clio created its Legal Trends Report. This report examined how law firms are using legal technology to benefit themselves and their clients. Clio revealed some interesting findings, the most important of which is that law firms that leverage multiple legal technology solutions generate up to 40% more revenue per attorney than those that don't.

Yet, investment figures related to legal technology for lawyers show that many firms aren't leveraging multiple technologies. According to the 2019 ABA Legal Technology Survey Report, only 62% of firms have a dedicated budget for legal technology. That means 38% of firms are likely missing out on the revenue benefits that come with increased use of technology. Furthermore, it's likely that many of the 62% that do have a budget aren't using it as effectively as they could be.

The messages here are simple.

Leveraging legal technology benefits law firms because it helps them to solve key problems while increasing revenue. However, many firms are not taking full advantage of the technology available to them today. The knock-on effects are that firms become less productive and that clients do not receive the level of service they require.

In this whitepaper, we delve deeper into the current issues, technological and otherwise, facing the legal industry in 2022 and beyond. We also examine some of the main technologies coming to the fore, including the core legal technology benefits and features that can help firms to improve internally and provide enhanced services to clients.

The Key Challenges Related to Legal Technology for Lawyers and Private Clients

On the surface, it may seem like the legal sector isn't facing too many challenges. It was predicted to become a trillion-dollar sector in 2021, with those predictions appearing accurate when we take revenue and net income increases into account. According to one Wells Fargo report, law firms enjoyed an average 14% revenue increase in 2021, with average net income rising by 19%.

Dig below the surface and we start to see some core challenges that will affect the legal industry in the coming years. Many of these challenges relate to legal technology solutions, or the lack thereof, which may impact a law firm's abilities to service its clients.

Challenge No. 1 - The Billable Hours Issue

As impressive as the increases noted in the Wells Fargo report are, the fact remains that most lawyers do not bill clients for the majority of the hours they work. Returning to Clio's 2021 Legal Trends Report, the average lawyer bills for just 31% of the hours they work, meaning the other 69% of their time is spent on non-billable activities that do not generate revenue for their firms. Assuming an eight-hour work day, this means that the average lawyer only bills for 2.5 hours per day.

The problem runs deeper.

The same report shows us that many lawyers don't collect on all of the hours they bill. On average, lawyers collect 89% of the hours they bill to clients, meaning they miss out on 11% of the revenue they should be collecting.

These statistics reveal an enormous amount about the inefficiency inside many law firms. Most of the issues related to billable hours revolve around a lack of access to appropriate legal technology. Many lawyers spend huge portions of their time on manual admin work, which is inefficient and prevents them from spending time with clients. Less time with clients leads to fewer billable hours, resulting in lower revenue for the lawyer and their firm.

The collections issue also highlights potential inefficiencies. But in this case, those inefficiencies may lie in the lack of legal technology in law firm collections departments. If collections departments are inefficient or do not have the technology required to keep track of all of the invoices the firm issues, lawyers lose out on revenue that they've already put the time into earning.

Challenge No. 2 – The Shift Toward Remote

The pandemic brought with it an array of challenges for the legal industry. In a sector that is so reliant on face-to-face contact, lockdown and social distancing issues created barriers to efficient work. To overcome these barriers, many firms adopted remote legal technology solutions that allow attorneys to work from home and communicate with clients without direct meetings.

Many may have seen the adoption of these technologies as temporary measures. However, the statistics show us that both lawyers and their clients seem to prefer the shift toward remote work.

When it comes to the use of this legal technology for private clients, the Clio 2021 Legal Trends Report reveals some more interesting statistics. It says that 79% of private clients want to have the option of working remotely with their lawyers, even if they later choose to have an in-house or telephone consultation. The same report shows us that in-person meetings are still preferred, with 76% of people naming it their top option. However, video conferencing is rising in popularity quickly, with 58% of people naming it as a top-three viable option for consultations.

The figures are comparable when considering the use of remote legal technology for lawyers. In 2022, the UK-based Law Society Gazette reported on a survey of 350 in-house lawyers based in both the U.S. and UK. That survey showed that 66% of legal professionals want their employers to institute a full work-from-home policy, even in the wake of the pandemic. Of that 66%, approximately half would prefer full remote work, with the rest wanting a hybrid work environment. The issue here is that the legal industry hasn't met this demand. The survey reveals that 57% of its UK respondents are back in the office and 44% of its U.S. respondents have returned to in-house work. Note that those numbers may have increased since the completion of the survey.

What do these statistics show us?

First, they demonstrate that the move toward remote services was successful. Many private clients and lawyers experienced the legal technology benefits that come with remote work.

Second, these statistics show us that there is a clear trend toward law firms rolling back the implementation of remote technologies, even those lawyers and private clients seem to prefer them. Even in cases where the technology isn't preferred, it's increasingly considered a viable option. By restricting access to remote technologies, law firm owners may be creating obstacles for themselves in the future. That may especially be the case as younger lawyers and clients start to engage with their firms.

Challenge No. 3 – The Payment Problem

Building on the previously mentioned issues regarding billable hours and collections, legal technology for private clients does not appear to be keeping pace with how clients want to pay. Again, Ciro's 2021 Legal Trend Report reveals the scale of the issue. It found that 66% of private clients prefer online payments as their leading form of paying a firm. This was followed by automated payments, at 61%, and payments using mobile apps, which also appealed to 61% of clients.

Despite this, many law firms still expect their clients to pay using checks. In fact, only 53% of law firms are equipped to accept online payments. That's going to become an increasing challenge in the coming years. According to statistics shared by the American Bar Association (ABA), 61% of people aged 18-to-24 never pay for services using checks. That number lowers to 52% for people aged 21-to-37. Of course, these are the generations who will make up the future client lists of most law firms. Furthermore, the generations that come after them will be even less inclined to pay via check when online payment is more convenient.

Perhaps you're thinking that these general statistics don't relate to the legal industry, where payment is expected to be handled differently. That isn't the case.

Returning to Ciro's report, growing law firms in the United States are 37% more likely to include online payment options among their legal technology packages. Better yet, firms that accept online or other forms of electronic payment receive their money 39% faster than those that don't.

These stats show us that the payment challenges discussed earlier are as much a legal technology issue as they are an efficiency challenge.

Challenge No. 4 – Cybersecurity

In 2021, the ABA published its Legal Technology Survey Report. Perhaps the most shocking statistic from this report is that 25% of the survey's respondents stated that their law firms have experienced some form of a cybersecurity breach. The increased use of legal technology solutions creates a cybersecurity risk. Some firms may use this risk as a reason not to invest in the legal technology their firms need.

However, cybersecurity may be less related to legal technology solutions and more related to the lack of standards many law firms have for governing these solutions.

The same survey discovered that 80% of solo practitioners are primarily responsible for their firm's security. That may not be particularly surprising. But the lack of security oversight is also prevalent in larger firms. The survey found that only 13% of firms with between 100-499 attorneys have a chief security officer. And this number only increases to 16% for firms with more than 500 attorneys.

It gets worse.

The same survey discovered only 53% of respondents worked for a firm that has a documented policy related to data retention. The numbers decrease for policies related to personal technology use in the firm's network (32%) and social media policies (48%). What's more, only 36% of respondents stated that their firms have an incident response plan that tells them what they need to do if a data breach occurs.

With a quarter of firms experiencing breaches, cybersecurity is clearly an issue. Yet, the ABA's survey results show that many firms aren't taking the steps needed to ensure their use of legal technology isn't creating avenues for malicious parties to attack. In some cases, this may be because the firm doesn't take security as seriously as it should. But in the majority of cases, especially when it comes to solo practitioners, the lack of cybersecurity policies may be a signifier of the inefficiencies and high demands on time in these firms.

Challenge No. 5 – Managing Administrative Tasks

Administration is the bane of many a legal professional's existence. It's often the root cause of the billable hours conundrum mentioned earlier. Unfortunately, administrative tasks are taking up even more time for firms than they ever have before. The weight of administration is so heavy that many smaller firms struggle to spend as much time as they'd like to on direct client work.

Thomson Reuter's 2020 State of U.S. Small Law Firms report reveals the extent of these issues. Thomson Reuter spoke to over 400 small firm attorneys or solo practitioners between April and May 2020. It found that 74% of respondents believe they're spending too much time on administrative work instead of practicing law. What's more, the administrative burden is so deep that small firms only spend 60% of their time on client work.

It's in confronting these administrative issues that legal technology features come to the fore. However, the same report states that the majority of small law firms have not taken action to overcome their admin work. In fact, only 20% have taken some form of action to relieve their administrative burden.

Paperwork is a problem for all law firms. But it's smaller firms that appear to be drowning in a sea of paperwork that prevents them from working directly with clients. Of course, having a reduced ability to work with clients can affect

the level of service these firms provide. But as worryingly, it also reduces the amount of time firms can spend on client acquisition activities. The result is fewer clients coming in, which could lead to either reduced revenue or price hikes for existing clients.

Challenge No. 6 – Compliance

Regulatory compliance is a challenge for every business sector. However, it's a critical challenge for the legal sector, which is constantly changing. Lawyers have to stay on top of the constant shifts in compliance that their chosen careers place on them. Even the smallest of slip-ups can lead to compliance problems that may result in financial or legal punishment.

The 2021 Regulatory Readiness Report produced by legal firm Integreon demonstrates how many companies struggle with compliance. According to Integreon's research, 70% of corporations in the UK and U.S. do not have the budget or resources to address regulatory issues. Focusing specifically on the legal sector, 62% of survey respondents stated that they face cost pressures when trying to maintain adequate compliance.

Several of the previously mentioned challenges contribute to this compliance problem. Having to deal with huge swathes of administrative work means lawyers have less time to spend on updating compliance across their legal documents. The result may be outdated documents that do not meet the regulatory issues within their clients' sectors. Cybersecurity issues also demonstrate a lack of compliance in terms of data management, in addition to the issue related to losing important client data.

How Legal Technology Solutions Can Solve These Challenges

The above challenges can be summed up succinctly: Lawyers are doing more administrative work, resulting in fewer billable hours. Cybersecurity issues increase the chances of data breaches. Many firms also face changes in client and employee demands, many of which revolve around the legal technology they use.

The good news is that several current and emerging legal technology solutions help to resolve many of the highlighted challenges. Legal technology benefits lawyers and private clients. These examples demonstrate how.

Legal Technology No. 1 – Remote Technologies

Beginning with technologies that many firms have already experimented with, there is a glut of options related to remote work that your firm could implement.

In terms of client meetings, platforms like Zoom and Skype enable you to hold discussions with clients and team members relating to cases. These video conferencing platforms provide a perfect middle-ground between face-to-face meetings and telephone consultations. They also feature document transferring facilities, which allow users to send computer files back and forth during discussions. Implementing these technologies full-time solves the challenge related to the increasing desire for remote solutions. Clients will feel happier because they have the option of engaging with more convenient tools rather than traveling to a law firm. What's more, the many lawyers who prefer to work in a hybrid or remote working environment have the facilities to do so when firms adopt these technologies.

Remote technologies go further than video conferencing.

They include collaborative project management platforms, such as Slack. These platforms enable attorneys to communicate and share documents easily. Many also leverage cloud-based technologies, allowing them to act as central stores for important documents. Combining project management technology with video conferencing allows for the creation of work-from-home environments while cutting down on physical paperwork.

Even something as simple as e-sign documents for clients fits into the remote technologies category. Being able to e-sign means clients don't need to travel to your firm's offices to complete paperwork. Even in cases where the signed paperwork can be mailed in, e-signing enables faster receipt and cuts down on the physical paperwork your firm has to manage.

Legal Technology No. 2 – Online Payment Processing

Online payment processing technology is not new. Services like PayPal and Stripe have existed for many years, as have general abilities to accept payments via card using a website. The key challenge many legal firms face when implementing these technologies lies in integrating them with their other systems. For example, payments made using PayPal need to integrate with the accounting department's invoicing software to ensure there are no errors.

To mitigate this challenge, several software developers have produced payment platforms focused specifically on the legal sector. Legl is a good example. This online payment solution allows your clients to pay for services using a mobile app. The client receives an invoice via the app and uses one of several payment methods to pay their fees. The law firm issuing the invoice receives the payment, as well as confirmation of the paid invoice for its records.

Legal technology solutions like this drastically speed up payment times. In Legl's case, invoices are paid within three hours of them being sent out. Compare this to check-based payment, which usually requires several days to complete, and you have a more efficient system that improves cash flow and accounting efficiency.

Interestingly, some law firms are also providing options for clients to pay for services using cryptocurrency. In March 2022, Gunnercooke became the first firm in the UK to accept Bitcoin payments. They followed the lead of several U.S. firms, including Perkins Coie LLP, which became the first American law firm to accept Bitcoin in 2013.

Though these payment processing technologies may seem too futuristic, their adoption comes as a response to increasing cryptocurrency ownership around the world. Using the United States as an example, 13% of respondents in a Statista survey said they'd either owned or used cryptocurrency at some point. This is a 7% increase from the 6% of people who said the same thing in 2019 and 2020. While offering online payment options is a priority solution to the challenge relating to how clients want to pay, adopting a crypto-based solution may prove important if cryptocurrency ownership rates continue to rise.

Legal Technology No. 3 – Cloud-Based Storage

Switching focus to the issues of administrative work and increasing billable hours, cloud computing technology offers several ways to improve efficiency in law firms. This is particularly the case when it comes to document storage and access.

In traditional law firms, documents are often paper-based. This means firms require an enormous amount of physical storage space to maintain them. Paper-based storage also requires manual filing systems, which are difficult to navigate and are subject to human error. Looking beyond the environmental impact of a paper-based business model, this traditional type of storage adds to a firm's administrative burden. It makes it more difficult for lawyers to find relevant documents. Manual systems increase the possibility of vital documents getting lost, which can be damaging to a client's case.

Some firms have already implemented legal technology solutions to these issues by installing in-house servers and adopting computer-based models. While this is a good first step, it creates data safety issues. In-house servers operate using the firm's network, making them vulnerable if the network is breached by a malicious party. Furthermore, physical servers could malfunction, leading to the loss of digital documents. While outsourcing data management to an external company may provide a solution for these issues, many firms are understandably wary of placing another company in charge of its files, especially given the cybersecurity concerns facing the industry. Enter cloud-based storage solutions.

Transitioning to cloud-based storage offers several legal technology benefits to firms. The increased mobility these services offer is key. With cloud-based storage, attorneys can access documents using almost any online device, meaning they can pull key information for meetings even when they're not in the office.

Cloud-based services also offer superior infrastructure, making them more resilient than physical servers. Regular backups, encryption, and redundancy features combine to ensure data held in a cloud-based system is safe. For example, most cloud-based services use layers of servers, meaning data is transferred to a secondary or tertiary server if the primary server goes down. While this is possible with a physical setup, it costs a lot more than the cloud-based equivalent.

Speaking of cost, cloud-based storage provides access to a central storage location without the cost of acquiring, installing, and maintaining physical hardware. With cost often highlighted as a critical factor in the cybersecurity and compliance issues many firms face, finding ways to reduce outgoings leaves more money to spend on instituting policies and investing in different legal technology solutions. For further evidence of these lower costs, a recent study conducted by business support company Sherweb found that maintaining a cloud-based server comes with an average monthly cost of \$313.90. Maintaining a physical on-site server costs an average of \$1,479.31 per month. As such, implementing cloud-based storage could cut costs by almost five times, leaving the average firm with over a thousand dollars per server per month saved.

The combination of legal technology features cloud-based storage offers confronts several of the key challenges discussed earlier in this whitepaper. By reducing costs, this technology enables firms to focus more time, effort, and energy on implementing procedures related to compliance and data storage. Cloud-based services also solve many of the cybersecurity issues law firms face, particularly in regards to offering back-ups and leveraging encryption. Finally, cloud-based storage increases efficiency by making it easier for firms to locate and access documents. The result is less time spent on administrative work and more time spent with clients.

Legal Technology No. 4 - Artificial Intelligence and Machine Learning

The rise of artificial intelligence (AI) across all industries has been fascinating to see. According to one Gartner report published in 2019, only 10% of companies used or planned to use AI in 2015. That number rose to 37% in 2019, representing a staggering 270% growth in just four years. Machine learning technology falls under this AI umbrella. With this technology, computers can learn and analyze documents and language without following explicit instructions from a user.

How is this relevant to the legal sector?

AI represents perhaps the most powerful and potential-filled legal technology for lawyers available. And we're already seeing how it can be used to drive up efficiency, thus confronting the administrative and billable hours issues highlighted earlier.

Take discovery as an example.

Many law firms have used computer algorithms to aid in discovery for several years. However, these algorithms have limitations. They're programmed and maintained manually, meaning they don't have the ability to learn. Instead, they can only follow the instructions built into them. An algorithm that isn't programmed to discover documents based on the specific terms used to file or categorize them may not return all of the results needed for a case.

Machine learning changes that because it's constantly learning. As such, an AI-driven machine learning program develops as it's exposed to more documents. It learns the many ways people write, categorize, and define documents, allowing it to produce more accurate and relevant results than an algorithm can. In the process, machine learning saves lawyers enormous amounts of time on a discovery process that typically requires many hours of manual work.

AI-driven legal technology solutions are also impacting legal research.

For example, several research services leverage AI to create semantic search experiences. This means these platforms do more than return results based on the keywords entered into them. Rather, they leverage machine learning algorithms to determine the intent behind the words used, allowing them to return results that match the intent of the query in addition to the results returned by searching for the words used without context.

The specific features of AI-driven technology are often difficult to understand. However, the legal technology AI offers are far simpler. AI and machine learning save time by handling manual processes in a matter of minutes. What may have taken an attorney or paralegal several days to do can be done almost instantly using AI.

Legal Technology No. 5 - Automated Document Creation

Building from the above discussion of AI, automated document creation services leverage AI technology to offer several benefits for lawyers and their private clients.

Document automation services typically provide templates for common legal documents to attorneys. Instead of having to draft documents from scratch, or maintain their own templates, attorneys can use the software to pull up a relevant contract, alter the key points, and deliver the document to the client. Not only does this save time on administration, which solves one of the key challenges mentioned above, but it helps with compliance issues.

How?

Automated document creation services are often backed by teams of legal professionals that ensure all of the provided templates comply with current laws. That means the users of these software packages don't have to research compliance issues separately. If something changes, the software accounts for it by altering templates and potentially even notifying the users about the change.

This legal technology also creates a better experience for clients. Automated document creation reduces the possibility of human error, meaning clients and lawyers work from accurate documents. These platforms often link to a law firm's customer relationship management (CRM) system, allowing them to pull relevant data as needed for the documents created. The result is a more seamless document creation process that is easier for attorneys to leverage and provides a better result for private clients. This makes automated document creation an AI-driven legal technology for private clients as well as for lawyers.

Furthermore, these legal technology solutions tend to confront cybersecurity challenges. They allow firms to control who has access to certain documents, reducing the risk of leaks occurring because of human error or malicious insider actions. They may leverage encryption and similar security methods to protect data.

Speaking of providing access to documents, automated document creation tools also enhance collaboration. For example, a document creator can invite specific people to view their document and make changes to it. The document is kept in a central location where all invited parties have access to it. Plus, many of these services leverage cloud technology to enable people to access documents using a range of devices. Version tracking allows everybody participating in the creation of a document to see what changes have been made, when, and why. As such, this legal technology can cut through the red tape that often forms when different departments have to examine and approve a legal document.

Combine all of these legal technology benefits and you have a technology that saves time, improves compliance, increases client happiness, strengthens data security, and reduces the administrative burden law firms face.

Introducing Edilex – Cloud-Based Innovation and Document Creation

Confronting the legal challenges of today and the future requires the implementation of suitable legal technology solutions. Thus far, this whitepaper has highlighted some of the key challenges your firm may face and has discussed current and upcoming legal technology solutions that may help you to confront those challenges.

Now, we'd like to talk about a specific solution: Edilex.

At Edilex, we aim to transform the legal industry through innovation. We have done this since our formation in 1992 when we created a 1,000-page reference book named Commercial Law Form to act as the world's first contract directory based on a new method of contract analysis and presentation. We continue to innovate through the software solutions we provide to law firms around the world.

The Edilex contract drafting automation platform is the most recent of these innovations.

With Edilex, our goal is to help firms accelerate contract drafting so they can reduce costs. This acceleration in the drafting process also frees up attorneys so they can spend more time working with clients and less time on tedious administrative tasks. This results in more billable hours, creating higher revenue potential for firms.

How does Edilex help?

The following platform features are key to the Edilex legal technology solution.

Enhanced Collaboration

Edilex solves the problem of accumulating multiple versions of the same document, which leads to confusion, unneeded reworking, and manual errors. All of your documents are stored in a central location and are accessible only to the people you invite to them. Editors can make changes in real-time, with all changes being tracked and allowing for comments. Those invited to documents receive email notifications whenever a change occurs. Plus, security is enhanced because the only people who see your documents are the people who are supposed to see them.

Superb Legal Support

All of the automated contracts available with Edilex are drafted by legal professionals with extensive experience in working with private clients. What's more, you gain access to the Edilex legal department, which can collaborate with you to answer any questions you may have in real-time. This service cuts down on the research you need to do to ensure compliance because our support team is available to help you every step of the way.

Improve Efficiency and Gain More Time

With Edilex, you spend less time on drafting contracts. Instead, you work from automated documents that you can tailor to your and your clients' needs. This leads to a more efficient documentation process, leaving your firm's attorneys with more time to spend with their clients. Not only does Edilex save you money, but it also gives lawyers the time they need to acquire new clients.

No More Errors and Redundancies

Human errors, double entries, and similar redundancies all add to the time taken to draft a legal document. They force you to redraft repeatedly, which takes time and costs money. Edilex has built-in drafting rules to prevent errors. It also allows you to draft your own rules so you can tailor the platform to your law firm's needs. Fewer errors lead to happier clients. And the rules you draft ensure that you create viable documents at the first-time of asking.

Confront Today's Legal Technology Challenges

The legal sector is growing. Firms are generating more revenue and accepting more clients. But with that growth comes increasingly complex challenges. Compliance and cybersecurity issues mean you need to implement legal technology solutions that ensure your work is compliant with all current laws. More clients also means more paperwork, which creates an administrative burden that forces attorneys to spend more time with documents and less time with clients. Finally, the gradual shift toward remote working means your company needs to implement legal technology that enables clients and personnel to work from any location.

The solutions discussed in this whitepaper confront many of the major challenges facing those in the legal sector today. Remote working and cloud-based technologies address the work-from-home challenge, in addition to offering improved collaboration and document storage options. Existing and emerging payment platforms allow your firm to provide appropriate options for a new generation of clients and attorneys. And the rise of AI and machine learning cuts down on manual work, saves time, and allows your attorneys to spend time working with clients so they can log more billable hours.

Edilex can become an integral part of the legal technology suite your firm creates. To find out more about the platform, and to discuss how it may help your firm confront the many challenges it faces, head to www.edilex.com. Discover what Edilex can do for your firm and use our Live Chat platform to ask any questions you may have.

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