



CBA LEGAL **FUTURES** INITIATIVE

CONTRIBUTING PERSPECTIVE

INNOVATIONS IN LEGAL SERVICES:
14 EYE-OPENING CASE STUDIES



THE CANADIAN
BAR ASSOCIATION
L'ASSOCIATION DU
BARREAU CANADIEN

INFLUENCE. LEADERSHIP. PROTECTION.

June 2013

© Canadian Bar Association

865 Carling Avenue, Suite 500

Ottawa, ON K1S 5S8

Tel.: (613) 237-2925 / (800) 267-8860

Fax: (613) 237-0185

E-mail: futures@cba.org

Home page: www.cba.org

Website: cbafutures.org

ALL RIGHTS RESERVED

No portion of this paper may be reproduced in any form or by any means without the written permission of the publisher.

Printed in Canada

Disponible en français

The views expressed in this report do not necessarily reflect those of the Canadian Bar Association.

CONTENTS

- Overview: What lies ahead for Canadian law firms?..... 4
- 1. Alternative Business Structures for Legal Services: Co-Operative Legal Services Ltd. 7
- 2. A Publicly-Traded Law Firm: Slater & Gordon..... 9
- 3. A Team of Firms to Serve In-House Counsel – Pfizer Legal Alliance..... 11
- 4. Legal Process Outsourcing: Rio Tinto and CPA Global 13
- 5. Online Legal Services: Rocket Lawyer 15
- 6. Online Dispute Resolution: CyberSettle..... 17
- 7. Fixed Fee Arrangements: Riverview Law 19
- 8. Freelance Lawyering: Lawyers on Demand..... 21
- 9. Legal Process Improvements: Seyfarth Shaw LLP 23
- 10. External Investment in a law firm: Knights Solicitors..... 25
- 11. Harnessing Technology: SkyLaw LLP..... 27
- 12. Contract Lawyers: Axiom Global Inc. 29
- 13. Automated Document Assembly: ContractExpress 31
- 14. Social Media: Legal OnRamp 33



OVERVIEW: WHAT LIES AHEAD FOR CANADIAN LAW FIRMS?

With the help of Prof. Richard Susskind, author of “The End of Lawyers?: Rethinking the Nature of Legal Services” and “Tomorrow’s Lawyers: An Introduction to Your Future”, we have assembled 14 case studies to illustrate how legal service providers are changing the way that they do business. Why? They are responding to pressures to remain profitable while providing clients with quality legal services at lower, predictable rates. They are pioneers in 21st century legal service.

Among the 14 case studies, you will read about Riverview Law, a British law firm that only offers fixed-fee services, about Seyfarth Shaw LLP, a firm that looked to industry to see how to become more efficient, and about Lawyers on Demand and Axiom Global Ltd., organizations that hire out lawyers on contract to meet specific client needs. You’ll find out how private investors are providing law firms Slater & Gordon and Knights Solicitors with capital for expansion and how a British retailer, The Co-operative Group, is now offering legal services to its 7 million members through over 4000 retail outlets, including banks.

Each case study was chosen for its unique area of innovation across the legal market. Although some of the corporate structures are not currently possible in Canada, due to regulatory restrictions, each case study provides you with an opportunity to reflect on what other legal service providers are doing and what impact that might have here.

There is much to consider. For example, corporate structures for law firms may simplify organizational decision-making, reduce liability risks, and provide capital for investments to use, for instance for technology upgrades and marketing. When management experts run law firms, senior lawyers have more time to focus on client development and client work. Replacing the partnership business model with a corporate structure reduces the need for consensus decision making and seems to be increasing profitability among the firms that have moved in that direction.

In some jurisdictions the move to corporate ownership and management of law firm services has paved the way for fixed fee legal service arrangements and a move away from hourly billing practices.

When law firms have an equity share structure, client shareholders may have increased loyalty to the firm and employee shareholders may be more likely to stay where they are, reducing the talent drain faced by law firms today.

Lawyers working on a contract basis may have greater freedom to control their work schedule and enjoy a broader variety of work assignments.

When routine legal work is outsourced, corporations may reduce legal costs and enable in-house counsel to spend more time on more complex tasks and on risk management, thereby preventing problems from growing bigger and leading to an increase in profitability.

Efforts to give clients more opportunities to decide what legal services they want to purchase may bring in more clients who are comfortable managing some of the work themselves.

Online dispute resolution services may bring about faster settlements.

And, of course, the Internet and technologies, such as social media and cloud computing, change the way information is offered, personalized, stored, and shared. There are outstanding questions about when online legal information services, for example, cross the line and become the unauthorized practice of law.

Note that at this time Canada's regulatory environments may not provide the same structural possibilities as those now found in the United Kingdom, Australia, and the United States. Nevertheless, what is happening elsewhere is of interest and provides perspective on what may come here.

We hope that these 14 case studies give you a chance to consider possible future scenarios for Canadian lawyers and inspire interesting conversations with your colleagues.



1. ALTERNATIVE BUSINESS STRUCTURES FOR LEGAL SERVICES: CO-OPERATIVE LEGAL SERVICES LTD.

The *Legal Services Act* of England and Wales established the Solicitors Regulation Authority in 2011 with a mandate to regulate solicitors and licence Alternative Business Structures (ABS) for law firms.^{1,2} The Authority issued the first ABS licenses in early 2012.

The ABS model allows non-lawyers to partner with lawyers in a professional, ownership or management role. An ABS may be a law firm expanding to offer services other than legal services or a retailer expanding to provide legal services.

Co-operative Legal Services Ltd. (the Co-op) obtained an ABS license and is now offering legal services to the general public through its connection to the larger retailer, The Co-operative Group. The Group operates over 3000 stores and pharmacies, and 1000 bank branches in the United Kingdom. It also provides funeral services. It employs more than 106,000 people and is owned by more than 7 million members.³

The Co-op offers low-cost legal services, usually at a flat-fee rate, for will writing, probate, land transfers, personal injury claims, employment law, and family law. In addition, it provides a free initial telephone advice service with a promise to explain things clearly and simply, and provide written information in plain language.

Clients are encouraged to manage their file, choosing the level of legal support they want for a set price. Legal service costs are known to the client from the start, making the final bill predictable.

○ BY THE NUMBERS

The Co-op is planning to hire 3,000 legal professionals over the next five years to meet expected demands for service. Around 90% of the

1 *Legal Services Act 2007*, 2007 c.29. available at: <http://www.legislation.gov.uk/ukpga/2007/29/contents>.

2 See <http://www.sra.org.uk/abs/>

3 For more information on The Co-operative Legal Services, see <http://www.co-operative.coop/legalservices/>

positions are for qualified legal professionals with the other 10% for support roles.⁴

○ CONSIDER ...

Combining legal services with the retail industry opens up new ways of connecting with potential clients.

Some people have expressed the concern that “supermarket-law” with fixed-fee pricing could dominate some of the more profitable areas of legal practice, leaving traditional law firms to offer service in the less remunerative areas.⁵

4 This has been featured in numerous news articles across the United Kingdom. For a brief background see: Owen Bowcott, “Co-op to hire 3,000 lawyers in challenge to High Street solicitors”, *The Guardian*, May 28, 2012. Available at <http://www.guardian.co.uk/law/2012/may/28/co-op-3000-lawyers-challenge-solicitors>.

5 For more information on the sheer size of The Co-operative Group, see: Jon Robins, “Where does publicly-funded law fit into the new world of Tesco law?” *The Guardian*, September 21, 2012. Available at: <http://www.guardian.co.uk/law/2012/sep/21/alternative-business-structures-family-law>. See also: <http://www.co-operative.coop/corporate/aboutus/>

2. A PUBLICLY-TRADED LAW FIRM: SLATER & GORDON

Australia's Slater & Gordon, a personal injury firm specialising in insurance claims, commercial, family, and asbestos-related law, became the world's first publicly-traded law firm in 2007.⁶ The firm saw going public as an opportunity to raise capital and limit partner liability.

The public offering was made possible by the enactment, in New South Wales, of the *Legal Profession Act 2004* which allows law firms to form multi-disciplinary partnerships with non-lawyers, have non-lawyer ownership, and seek external investment.⁷ The Law Council of Australia also adopted model laws, in 2004, mirroring the changes in New South Wales and paving the way for a publicly-traded firm to operate in multiple Australian jurisdictions. The purpose of these regulatory changes was to foster greater competition, liberalize legal services in Australia, and adjust lawyer-liability mechanisms.⁸

To address concerns that the incorporation of law firms would undermine self-regulation, the Australian rules require any corporation providing legal services to have one legal practitioner director who is an Australian national and is licensed to practice law in Australia.⁹ The legal practitioner director is responsible for managing the legal services provided by the company and must ensure that appropriate management systems are in place. The legal practitioner director is also responsible for taking appropriate remedial action if there are any breaches of the rules of professional conduct. All employees of a corporation that provides legal services, whether licensed legal practitioners or not, must meet the ethical and professional requirements expected of licensed lawyers.

The Slater & Gordon prospectus states that in the event of a conflict between the *Legal Profession Act 2004* and the *Corporations Act* the former would prevail. It also states that the primary duty of lawyers is to the courts and secondarily to their clients.¹⁰ As a result, there may be cases where

6 For an overview of Incorporated Legal Practices in New South Wales, see The Law Society of New South Wales, <http://www.lawsociety.com.au/idc/groups/public/documents/internetcostguidebook/008712.pdf>

7 Two Law Council of Australia presentations regarding the changing nature of regulation in Australia: an address to the Law Society of England and Wales describing Australia's experience with ABS: http://www.lawcouncil.asn.au/shadomx/apps/fms/fmsdownload.cfm?file_uuid=B51B3F7C-EF0C-1E6C-048C-23BA787AB6F6&siteName=lca; a speech by Alexander Ward, President, Law Council of Australia at the Commonwealth Law Conference, Hyderabad, India explaining the evolution of the regulation of the legal profession in Australia: http://www.lawcouncil.asn.au/shadomx/apps/fms/fmsdownload.cfm?file_uuid=BBA1A194-FBC6-3448-3400-F7395CB8516F&siteName=lca

8 Professor Stephen Mayson has written a blog about the difference between liberalization of the legal market and deregulation. Available at <http://stephenmayson.com/2011/08/23/one-more-time-we-are-not-deregulating/>

9 Section 140(1) of the New South Wales *Legal Profession Act 2004*, no.112. See note 7.

10 Slater & Gordon Prospectus, Section 1.3 at page 12. Available at: http://www.slatergordon.com.au/files/editor_upload/File/prospectus/Prospectus.pdf

lawyers must act against the corporate interests of their shareholders.

○ BY THE NUMBERS

During its first week of trading on the Australian Securities Exchange Slater & Gordon's stock, SGH, rose 68%. In 2010-2011, the company's revenue climbed to \$182 million (Australian), an increase of 46% over the previous reporting period. Net profit after tax rose 40% to reach \$27.9 million. Slater & Gordon reported a 31% compound annual revenue growth since going public in 2007.¹¹ The stock continues to trade well above its initial public offering.

○ CONSIDER ...

Clients may become shareholders and recover a portion of legal costs through the market, potentially increasing client loyalty.

The firm may use its capital resources to invest in ways that benefit clients, for example, by making use of technological advances or knowledge management systems that help to reduce the time to complete work on client files.

Capital also allows the firm to enter new practice areas. Slater & Gordon recently purchased U.K. law firm Russell, Jones & Walker (an Alternate Business Structure firm).

Incorporation allows the firm to benefit from corporate tax advantages. And stock options for employees may increase retention rates and allegiance to the firm.

Incorporation also provides liability protection. Prior to the adoption of the *Legal Profession Act 2004*, lawyers were subject to an increasing number of claims. There were concerns that lawyers would not adequately serve their clients for fear of being sued if they did not obtain a perfect result, and that courts would become clogged with frivolous litigation. In 2008, the Office of the Legal Services Commissioner for New South Wales found that complaints against lawyers and law firms dropped by two-thirds after the rules changed to allow incorporation.¹²

11 For a detailed financial analysis of the firm, see the Australian Stock Exchange at <http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=SGH>

12 "Alternative Business Structures: Lessons From Other Jurisdictions", Law Society of Upper Canada Gazette, vol.16, no.3, Fall 2012. See also Leanne Mezrani, "Lawyers behaving (not so) badly", Lawyer's Weekly, October 30, 2012. Available at http://www.lawyersweekly.com.au/news/lawyers-behaving-not-so-badly?utm_source=SilverpopMailing&utm_medium=email&utm_campaign=Lawyers%20Weekly%20Newsletter%20MREC%20-%20send%20-%3E%2030/10/2012%201:55:35%20PM&utm_content=

3. A TEAM OF FIRMS TO SERVE IN-HOUSE COUNSEL – PFIZER LEGAL ALLIANCE

The in-house legal department at Pfizer Ltd., one of the world's largest pharmaceutical companies, became disgruntled with ever-expanding legal bills for work performed by external counsel. In 2009, Pfizer General Counsel Amy Schulman created the Pfizer Legal Alliance (PLA), a partnership between Pfizer and 19 law firms.¹³

The PLA accounts for approximately 75% of Pfizer's global legal work, and covers all areas of Pfizer's legal requirements.

The PLA model is built on collaboration and improved efficiency. PLA firms work together with in-house counsel to build cross-firm teams that can provide expertise and local support to meet Pfizer's legal needs. Each firm designates one or two relationship partners. Within Pfizer, each firm is assigned a Pfizer Alliance Leader (PAL) for managing their day-to-day relationships.

The Pfizer Legal Alliance Steering Committee sets the long-term strategy for the PLA. Historical information and costs are taken into account when establishing the annual fees.

There is also a roundtable made up of in-house Pfizer lawyers as well as firm representatives. The roundtable drafts and implements the strategic plan and oversees work streams essential to the success of the PLA.

○ BY THE NUMBERS

Each PLA firm, including at least one Canadian firm, receives an annual flat-fee from Pfizer, paid in monthly instalments.¹⁴ This is not a billable hour model. There is, however, some flexibility built into

13 For detailed information on the structure of Pfizer's Legal Alliance see the information available on the Association of Corporate Counsel's Website available at http://www.acc.com/valuechallenge/valuechamps/2012champ_profile97.cfm

14 Association of Corporate Counsel, "ACC Value Challenge Tool Kit Resource", March 2011, prepared by Ellen Rosenthal, Chief Counsel for Pfizer's Legal Alliance Program and Justin McCarthy, Global Research and Development. See also: <http://www.managingip.com/Article/3050749/Understanding-the-Pfizer-Legal-Alliance.html>

this model and firms are compensated when the workload greatly exceeds predictions over the course of the year.

The PLA is expected to provide Pfizer with cost savings of between 10-15%.

○ **CONSIDER ...**

The annual fixed fees allow Pfizer to negotiate price, predict their annual legal costs, encourage collaborative work teams amongst PLA member firms, and build long-term relationships with a committed team of legal service providers.

For PLA firms, the flat fee provides a pre-determined revenue stream and diminishes inter-firm rivalries as there is a reduced incentive to compete with each other. The focus is on making use of their collective expertise and partnering to provide the highest quality work possible. The roundtable provides a platform from which firms can provide input on important matters and apportion the work among the PLA partners.

4. LEGAL PROCESS OUTSOURCING: RIO TINTO AND CPA GLOBAL

This is a story of two companies working together. Rio Tinto's business is finding, mining, and processing mineral resources. The company has operations around the world. CPA Global is a specialized Legal Process Outsourcing firm with its head office in Jersey, and staff in many countries, including India. Since March 2012, CPA Global has been owned by Cinven, a European private equity company.

In 2009, Rio Tinto announced its legal process outsourcing agreement with CPA Global. CPA Global provides a team of lawyers in India to do contract review, drafting, legal research, and document review supporting Rio Tinto's global in-house legal work.¹⁵ At CPA Global's office in Gurgaon, India, there's a Rio Tinto Room where all Rio Tinto's legal work is handled. The CPA Global team operates as an extension of Rio Tinto's legal department rather than as outside counsel.

○ BY THE NUMBERS

It is estimated that one year after signing the agreement with CPA Global, Rio Tinto saved \$14 million. Rio Tinto expects to save \$90 million, or 20% of its legal bill, over the next few years.¹⁶

○ CONSIDER

By having routine legal tasks handled by CPA Global, Rio Tinto not only saves money but also frees up its in-house counsel to attend to risk management and more complex legal matters, reducing the need to hire outside counsel.

15 For more information about the agreement between CPA Global and Rio Tinto see CPA Global's website available at: http://www.cpaglobal.com/media_centre/press_releases/0145/rio_tinto_signs_legal_services see also numerous media articles on the subject including: <http://lawwithoutborders.typepad.com/legaloutsourcing/2010/09/>

[mining-giant-rio-tinto-expands-legal-outsourcing-relationship-with-cpa-global-as-the-latter-focuses-.html](http://www.cpaglobal.com/media_centre/press_releases/0145/rio_tinto_signs_legal_services) and

16 This number remains a goal as originally stated by Rio Tinto when they announced the deal. See: "Rio Tinto and CPA Global celebrate first anniversary of landmark legal outsourcing deal in India" available on CPA Global Website at: http://www.cpaglobal.com/media_centre/press_releases/4565/rio_tinto_and_cpa_global_celeb

5. ONLINE LEGAL SERVICES: ROCKET LAWYER

Rocket Lawyer was launched in 2008 with the goal of making legal services simpler, more affordable, and available to more people. The original model was to provide a platform for web site visitors, primarily individuals and small and medium-sized business owners, to search for and share legal documents at low or no cost – for example, wills and documents required for incorporation. Rocket Lawyer has since evolved to a subscription model where clients, depending on their level of subscription, have access to a number of services – legal forms, documents, and help articles, as well as discounts with local attorneys.¹⁷

Rocket Lawyer on Call (RLOC), a service developed by Rocket Lawyer, provides step-by-step instructions to help clients customize documents to suit their needs.¹⁸ RLOC members have the option of getting their documents reviewed by an attorney at no extra cost. If clients have additional legal questions or need more advice, RLOC puts clients in touch with local lawyers who are on RLOC's database and offer services for a pre-negotiated fee.

In addition to providing a network of lawyers, Rocket Lawyer also introduced the Legal Health Score in 2008 available to all account holders to help them to determine their legal needs and possible risks. After completing a profile, a client receives a Legal Health Score, along with a detailed action plan to address legal vulnerabilities.

○ BY THE NUMBERS

Rocket Lawyer increased its annual revenue from \$1 million in 2008 to \$20 million in 2011, when it had over 70,000 daily site visitors. Rocket Lawyer says it has helped over 20 million people.¹⁹ The company ranked 72nd in the Inc. 500 list of the 500 fastest growing private companies in the United States in 2012.

17 For general information about Rocket Lawyer and their business model, see <http://www.rocketlawyer.com/about-us.rl> see also <http://www.rocketlawyer.com/plans-pricing.rl>

18 See Rocket Lawyer On Call webpage for more information, available at <http://www.rocketlawyer.com/what-we-do.rl>

19 See for example Daniel Fisher, "Google Jumps Into Online-Law Business With Rocket Lawyer". *Forbes*, August 11, 2011, see also Courtney Rubin, "Big Money for Cheap Legal Services", *Inc. Magazine*, January 5, 2012.

Rocket Lawyer's investors, including August Capital, Google Ventures, Investor AB, and Industry Ventures, have invested over \$40 million dollars in the company.

Rocket Lawyer has 80 staff in its San Francisco office.²⁰

○ **CONSIDER ...**

Lawyers registered on the RLOC database may be connected with new clients and can build their practice by offering blog postings and other resources that may set them apart. In return, they promise to work for a set fee for Rocket Lawyer referrals.

There are a few similar online services in Canada.

Will-O-Matic is an online service that helps Canadians to create simple wills.

Dynamic Legal Forms enables site visitors to create their own legal documents and provides clients with a legal information package detailing how to fill out forms. Costs are low, between \$17 and \$87.

²⁰ See Rocket Lawyer company profile on Inc. available at <http://www.inc.com/profile/rocket-lawyer>.

6. ONLINE DISPUTE RESOLUTION: CYBERSETTLE

Incorporated in 1996, CyberSettle is the brainchild of former trial lawyer Charles Brofman. Brofman was inspired during a trial involving parties who seemed to be far apart on their demands and unwilling to compromise. While in court, the parties agreed to write down their bottom line numbers and hand them to a court clerk. The clerk was asked to give them a “thumbs up” if the numbers were within a specified range.

Learning from this experience, Brofman created an online dispute settlement system, predicting that technology could solve disputes more quickly than the courts and would result in significant savings without compromising fairness.²¹

CyberSettle’s patented technology is described as the first automated, online, double-blind bid dispute resolution system. The system uses an online portal where disputants confidentially enter a demand or an offer. CyberSettle compares the demand and the offer, without either side revealing their bottom line number to the other. When the offer is greater than or equal to the demand, the parties are notified and the claim can be settled.

In cases where parties do not settle via the online platform, CyberSettle offers telephone facilitators who can help to negotiate a financial settlement.

CyberSettle is available 24/7 and cases can be settled within minutes.

○ BY THE NUMBERS

According to its website, over the past 10 years, CyberSettle has handled over 200,000 transactions, facilitating over \$1.6 billion in settlements. The largest online settlement was for \$12.5 million. CyberSettle also has over 150,000 attorneys registered on its system.²²

○ CONSIDER ...

New York City was the first government entity to use CyberSettle. When it began using the system in 2004, the city had a backlog of over 40,000 cases. Within 30 days of using CyberSettle, the city settled 66% of them.

As of 2012, there were five active online dispute resolution service providers based in Canada.²³

21 For more on how CyberSettle came to be, see <http://mediationchannel.com/2008/02/20/cybersettle-makes-the-case-for-resolving-disputes-online/>

22 See CyberSettle website at <http://www.cybersettle.com/about.html>

23 Mohamed S. Abdel Wahab, Ethan Katsh and Daniel Rainey (Eds.), *Online Dispute Resolution: Theory and Practice*, 2012, Eleven International Publishing, at p.447.

7. FIXED FEE ARRANGEMENTS: RIVERVIEW LAW

Following regulatory changes in the United Kingdom (*Legal Services Act 2007*), Riverview Law was created in 2011 as one of the world's first fixed-fee law firms.

All Riverview's legal services have a fixed cost; there is no hourly billing. Riverview has also implemented an annual fixed-fee contract for businesses with up to 1,000 employees.²⁴ The annual contracts vary in price, depending on the size of the company and the anticipated amount of legal work for the year. Riverview assigns an advisor to the client to maintain continuity. If a company is unsatisfied with the service after a month, Riverview promises a full refund.

Riverview also operates as an outsourcing firm offering to act as a corporation's de facto in-house legal team.²⁵

Finally, companies using Riverview's services have access to free legal content ranging from template letters and forms to legal advice memoranda.

In order to keep costs down, Riverview Law does not have a partner model, a central downtown office, or a head office. It uses technology to enable lawyers and work teams to operate efficiently.

Riverview Law is owned by its shareholders, including AdviserPlus Business Solutions, DLA Piper, private individuals, and its staff. Riverview is the trading name of LawVest, a holding company set up in 2011.²⁶

○ BY THE NUMBERS

Riverview Law has over 100 employees, approximately 60% of whom are lawyers, and has plans to hire more non-lawyers.²⁷

24 A brief description of the mantra of the firm and how they have been able to establish a fixed-price model is available from their website: <http://www.riverviewlaw.com/downloads/How-can-we-deliver-fixed-pricing.pdf>

25 See <http://www.riverviewsolicitors.com/our-services/>

26 See <http://www.riverviewlaw.com/faqs-and-news/>

27 For additional information, see interview with Karl Chapman, CEO of Riverview Law available at: <http://mikeames.wordpress.com/2012/10/17/interview-with-karl-chapman-ceo-of-riverview-law/>

○ **CONSIDER ...**

Riverview's decision to replace hourly billings with a fixed fee approach has drawn in clients who appreciate cost certainty and predictability. Free access to online materials — forms and documents — is an additional benefit.

8. FREELANCE LAWYERING: LAWYERS ON DEMAND

Lawyers on Demand (LOD) began in 2007 as a pilot project of international law firm Berwin Leighton Paisner (BLP). LOD remained part of BLP until June 2012 when it became a separate BLP Group Company, while retaining strong links with the firm.

There are two LOD programs: LOD for in-house counsel, and LOD for law firms. LOD lawyers are trained by BLP and assigned on a project-by-project basis; they either work at the client's office or remotely. LOD does not hold any documents or information relating to matters worked on by their lawyers while contracted to a law firm.

LOD lawyers are supported by BLP during the contract,²⁸ and have access to its knowledge management bank, but not to any confidential information in BLP systems.²⁹

Fees for LOD services are set at the start of an assignment based on a fixed daily rate.

○ BY THE NUMBERS

Currently, there are more than 100 lawyers in the LOD team across many different disciplines. In 2012, LOD reported revenue of £5 million.³⁰

○ CONSIDER ...

In-house counsel and law firms can bring in the legal help they need when they need it without staff costs, such as holiday pay, sick leave, and liability insurance.

LOD reports that their lawyers, who benefit from flexible work-hour arrangements, are busy 90 per cent of their available time.

Eversheds Agile is another United Kingdom company that has adopted an LOD model, providing lawyers on flexible placements for short-to-medium term projects.³¹ Eversheds is a global firm with 44 offices worldwide.

In Canada, Montreal lawyer Pascale Pageau founded Delegatus in 2005, creating a different business model to: (1) enable businesses to reduce their legal service costs substantially without compromising quality of service; and (2) offer lawyers a flexible practice and workload to meet their personal objectives.³²

28 For information on LOD for in-house counsel see: http://www.lod.co.uk/media/pdfs/lawyers_for_in_house_faqs.PDF

For information on LOD for law firms see: http://www.lod.co.uk/media/pdfs/lawyers_for_law_firms_faqs.PDF

29 For information on becoming a freelance lawyer with LOD see: <http://www.lod.co.uk/index.cfm/join-us/1851>

30 See for example Simon Harper, "Flexible Service", Managing Partner, Volume 14, Issue 4, December 2011/January 2012 available at http://www.lod.co.uk/media/pdfs/MP_Dec11-Jan12_Business_Strategy_BLP.pdf. See also James Swift, "BLP to spin off Lawyers on Demand business". The Lawyer. May 24 2012, available at: <http://www.thelawyer.com/blp-to-spin-off-lawyers-on-demand-business/1012719.article>.

31 See <http://www.evershedsagile.co.uk/become-an-agile-legal-professional/>.

32 Information available on the Delegatus website at: <http://www.delegatus.ca/pages/historique>.

Delegatus provides lawyers on a part-time or occasional basis to companies seeking to complement their in-house legal departments.³³ Delegatus rates are lower than traditional law firm rates. Delegatus began as a virtual firm with lawyers working from home or the client's office.

Delegatus has been described as essentially a "loose collection of like-minded sole practitioners operating in association."³⁴

33 It is worth noting that Delegatus differs from Lawyers on Demand in that Delegatus lawyers are full-time employees paid a salary. Delegatus provides a freelance service through salaried lawyers. Delegatus operates within the regulatory structure in Québec.

34 Luis Milan, "Outsourcing: Legal outsourcing firms serving in-house counsel on the rise", *The Lawyers Weekly*, Spring 2010, available at <http://www.lawyersweekly-digital.com/lawyersweekly/2010spring?pg=16#pg16>.

9. LEGAL PROCESS IMPROVEMENTS: SEYFARTH SHAW LLP

Seyfarth Shaw LLP, a law firm with offices in the United States and the United Kingdom, used business-process-improvement methodologies to address client requests for lower costs and more predictable budgets.

Six Sigma is a data-driven business improvement methodology developed in the 1980s and first used in the manufacturing sector as a quality-control mechanism. Each *Six Sigma* project follows a defined sequence of steps that have quantifiable financial targets,³⁵ using tools to identify the causes of errors and minimize variability in manufacturing and business processes. Seyfarth Shaw recognized that a purely data-driven approach would be problematic in a law firm setting and so combined *SixSigma* with *LEAN* principles. *LEAN* was first used by Toyota to eliminate waste, excess inventory, waiting, and defects. *LEAN* focuses on what's important to the customer, identifying which steps in a process add value.³⁶

Adapting these process-improvement concepts to a law firm, *SeyfarthLean* invested in technology and began a systemic approach to cost-cutting. The centerpiece of the *SeyfarthLean* approach is process mapping.³⁷ A digital database contains more than 165 process maps with different scenarios a lawyer might encounter. Seyfarth's lawyers can access these maps and pull up a flow chart to take them through the steps and scenarios that go into a particular legal situation. The process maps include how much time should be spent on each step, notes on which steps need to be completed by more senior lawyers, and templates of all the documents that may be required for a particular transaction. The process maps enable Seyfarth to streamline legal work reducing time spent on preliminary emails and research.

35 For details on the history of Six Sigma and a description of how it works see: <http://www.isixsigma.com/new-to-six-sigma/getting-started/what-six-sigma/>. See also <http://www.sixsigmacanada.net/about/aboutsixsigma/>.

36 For details on the Lean process, see <http://www.lean.org/whatslean/>

37 A detailed explanation of the *SeyfarthLean* system and its process maps is available on Seyfarth Shaw's website at <http://www.seyfarth.com/key-services-tools>.

○ BY THE NUMBERS

Seafarth Shaw's initial investment on *SeafarthLean* was about \$4 million. The firm says it has saved approximately \$1.5 million annually in the first four years of *SeafarthLean*'s operation. During that time, the firm's revenue rose 9% to \$484 million.

The firm has used the process to cut the cost of lease transactions for a national retailer by 15%. Another client reported that its single-plaintiff employment litigation fees dropped more than 30% since the program started.³⁸ In another example of *SeafarthLean* at work, Seyfarth lawyers developed a smart phone application with a client footwear company so that they can quickly send trademark infringement information to the company's in-house counsel.

It is believed that the *SeafarthLean* system can save clients up to 50% on their legal bills.

As of 2012, *SeafarthLean* had only been applied to 10% of the firm's revenue base. The goal is to reach 100%.³⁹

○ CONSIDER ...

Firm lawyers contribute to a knowledge management system that is constantly evolving, building new documents into the process maps, so that the next lawyer can easily access them.

Time allocations for each part of a project reduce the guess work in estimating legal costs providing clients with more cost predictability.

Instead of sending around emails asking colleagues about how to proceed on certain elements of a file or which documents to generate, a lawyer can use the knowledge management system.

In Canada, Borden Ladner Gervais (BLG) has introduced BLG Adroit,⁴⁰ a customer-focused approach to cutting waste and encouraging efficiency. BLG Adroit's own *Lean* methodology is called DMAIC, short for Define, Measure, Analyse, Improve, and Control.⁴¹

38 Kelly Rizzetta, "Innovative Managing Partner: Seyfarth's J. Stephen Poor", *Law360*, October 2012, available at http://www.seyfarth.com/dir_docs/publications/InnovativeManagingPartnerPoor.pdf.

39 See Steven R. Strahler, "Seyfarth Shaw takes a page from the Six Sigma playbook", *Crain's Chicago Business*, September 17, 2012, available at <http://www.chicagobusiness.com/article/20120915/ISSUE02/309159995/seyfarth-shaw-takes-a-page-from-the-six-sigma-playbook#ixzz2JxXRORKR>

40 For details of the BLG Adroit program, see http://blg.com/en/home/publications/Pages/BLG_Adroit.aspx.

41 For an article on why Canadian lawyers should pay particular attention to implementing Lean Six Sigma strategies, see <http://gimbalcanada.com/what-is-lean-six-sigma/>.

10. EXTERNAL INVESTMENT IN A LAW FIRM: KNIGHTS SOLICITORS

“Lawyers are good at words, not numbers.”⁴² says James Caan, Chief Executive Officer of private equity company Hamilton Bradshaw and former star of the United Kingdom’s Dragon’s Den. In June 2012, he became the first private investor in a law firm, Knights Solicitors.

Knights was granted an Alternative Business Structure (ABS) license in late December 2012, a pre-requisite to allow the deal struck with Hamilton Bradshaw to take effect. Knights was founded in 1759 and is based in Newcastle. At the time of the deal, Knights had 23 partners and 150 employees., and a partnership structure with partners sharing in the firm profits.

Under its new structure, Knights is managed by a board on which Mr. Caan has a position and profits accumulated through a corporate structure.

Hamilton Bradshaw’s investment is intended to provide Knights with enough capital to grow into one of the top 100 commercial law firms in the United Kingdom within three years. The plan is to use the Knights banner to create sector-specific subdivisions of the firm, for example, Knights Real Estate. In addition, Knights is working with Hogan Lovell’s Mexican Wave Venture, a service that provides legal work at a lower cost by outsourcing routine work to a select group of law firms, the Legal Service Providers (LSP).⁴³

○ BY THE NUMBERS

While Knights has not released how much capital Mr. Caan’s company is investing, the firm is hoping to increase revenue , currently at £9 million (\$14 million), to between £20-25 million (over \$32 million) within 5 years.⁴⁴

Knights plans to hire at least another 50 people in the near future.⁴⁵

42 See Georgina Stanley, “The Dragon and the Knights - James Caan on why he’s in when it comes to law firm investing”, LegalWeek.com, July 13, 2012, available at <http://www.legalweek.com/legal-week/interview/2191138/why-the-dragon-is-in-with-knights-investment>

43 For a brief description see: http://www.hoganlovells.com/PracticeAreas/areas_resources.aspx?op=i&firmService=1790. Additional detail on Knights Solicitors involvement in the venture is available at <http://www.thelawyer.com/mexican-wave-is-the-model-outsourcing-arrangement/1004740.article>.

44 See note 43.

45 See for example <http://www.knightsllp.co.uk/news/2012/12/knights-solicitors-granted-abs-licence/>. See also “New jobs on the way for Newcastle-based Knights Solicitors as ex-Dragons’ Den star James Caan splashes the cash”, This is Staffordshire, June 13, 2012, available at <http://www.thisisstaffordshire.co.uk/New-jobs-way-Newcastle-based-Knights-Solicitors/story-16355933-detail/story.html>.

○ **CONSIDER ...**

Taking management out of the hands of a collection of partners may make it easier for the firm to achieve growth. There is no need for consensus-building when making decisions as there is in a partnership. Furthermore, as profits are not split in the same manner, the executive has more leeway to pursue corporate objectives, including investments in technology that may be a key to higher profits and lower costs.

11. HARNESSING TECHNOLOGY: SKYLAW LLP

SkyLaw LLP is a Toronto-based boutique firm, founded in 2010 by Bay Street lawyers Kevin West and Michael Lee, both with experience in corporate transactions. The name SkyLaw reflects their belief that technology, notably cloud computing, could be an innovative practice platform from which lawyers could better serve their clients at a lower cost.

SkyLaw identifies the expertise required to complete a particular task and subcontracts the work if necessary.⁴⁶ In addition, SkyLaw will take on the role of general counsel, for a fixed monthly fee. As part of the monthly retainer, SkyLaw works with a client's board and management to prepare for shareholder meetings and advise on corporate governance issues.⁴⁷ Clients on a monthly retainer may call on the firm at any time without incurring additional billings.

SkyCounsel, which is another facet of SkyLaw, is a turn key law office environment for lawyer members, who, for a fixed monthly fee, have access to office space, junior lawyers, students, clerks, and administrative assistants. Members are independent of each other and there is no partnership-based profit sharing. Members are free to initiate business opportunities and develop their own client relationships. Essentially, SkyCounsel provides law firm infrastructure without a partnership relationship.⁴⁸

○ BY THE NUMBERS

SkyLaw LLP is a small firm with two partners and five staff, and an undisclosed number of member practitioners.

○ CONSIDER ...

SkyLaw demonstrates that Canadian law firms can change the way they are structured without the deregulation or widespread liberalization of the legal industry that has occurred in the United Kingdom.

46 The SkyLaw technique is described on their website, available at <http://www.skylaw.ca/about.php>.

47 To see a case study example of SkyLaw acting as general counsel, see <http://www.skylaw.ca/case3.php>.

48 For more information on SkyCounsel, see <http://www.skylaw.ca/skycounsel.php>.

12. CONTRACT LAWYERS: AXIOM GLOBAL INC.

Axiom was started in New York City in 2000 by Mark Harris, then 29. He wanted to make use of the internet revolution and change the way a law firm provides services. Believing that traditional law firms placed too many constraints on lawyers and overcharged their clients, he sought to create a system that would re-examine the value of legal work and price it accordingly.⁴⁹

Axiom started out as a temporary legal placement agency. Now it has three modes of doing business: insourcing (secondments), outsourcing, and managed services.⁵⁰ Axiom is not a law firm, but a corporation, incorporated in Delaware, which finds work for lawyers to do.⁵¹

Axiom's insourcing secondment system places lawyers in client's offices on temporary assignments for a flat fee. Usually, an in-house legal team will hire an Axiom lawyer to cover a specific project that they do not have the capacity to handle or that would otherwise be given to outside counsel.

With outsourcing services, Axiom takes on a particular area of a client's legal needs. The work ranges from commercial contracts to compliance activities. There are usually two phases to an outsourcing arrangement with Axiom: set-up and delivery. The set-up phase is led by a solutions design team consisting of technologists, process engineers, management consultants, and lawyers. Delivery is led by a team of legal professionals, ranging from paralegals and contract negotiators to senior lawyers, managed by a team leader.⁵²

Managed Services (or Managed Projects) is the newest Axiom service, performing discovery for litigation and managing complex contracts projects.⁵³ As an example, Axiom has an agreement with Hewlett-Packard (HP) to draft, negotiate, and execute sales-related contracts, licensing deals, and other agreements (HP's routine legal work). Seventeen firms competed for the HP work. Axiom now has an office in Houston exclusively to serve HP.⁵⁴ Axiom has a similar managed services agreement with London-based Vodafone and opened a facility in Belfast, Northern Ireland to handle that work. Axiom's Chicago office provides services to Kraft Foods.⁵⁵

49 Andrew Ross Sorkin, "Big Law Steps Into Uncertain Times", New York Times Deal Book, September 25, 2012., available at: <http://dealbook.nytimes.com/2012/09/24/big-law-steps-into-uncertain-times/>

50 For additional information on how Axiom describes and provides these three services, see <http://www.axiomlaw.com/index.php/overview/overview>.

51 <http://www.elawyringredux.com/2013/04/articles/legal-ethics-1/is-axiom-law-a-law-firm/>

52 This description can be found on Axiom's website at <http://www.axiomlaw.com/index.php/overview/form/outsourcing>

53 The description of their Managed Projects can be found online at <http://www.axiomlaw.com/index.php/overview/form/projects>

54 For additional information see: Drew Coombs, "Disruptive Innovation", The American Lawyer, July/August 2012, available at: <http://www.axiomlaw.com/Images/Attorneys/001081201Axiom.pdf>.

55 *Ibid.*

Harris designed Axiom based on his view of the three pillars of the business of law. At the top: the “exceptional events” category – bet-the-farm type work best suited to large law firms. In the middle: the “experience” category – day-to-day, sophisticated legal work essential to a business such as commercial contracts. At the bottom: the “efficiency” category – low-risk, high-volume work with an emphasis on cost control and process efficiency. Axiom has focused most of its work on this bottom tier.⁵⁶

Axiom follows a Six Sigma process and a knowledge management system to catalogue decisions made during a project to create an instant information resource.

○ **BY THE NUMBERS**

Axiom currently employs over 900 lawyers and has offices in 11 locations. In 2011, Axiom posted revenues of \$130 million, a 62% increase over 2010. Managed services accounted for 25% of their revenue in 2011 up from 10% in 2010.⁵⁷

Early in 2013, Axiom raised \$28,000,000 in private investor funding through a San Francisco-based equity firm.⁵⁸

○ **CONSIDER ...**

If companies such as Axiom continue to stake claim to routine legal work and are able to offer it at significantly lower prices, they may drive mid-sized law firms out of the market. Larger law firms would be left competing for larger event projects that require a large firm infrastructure to complete.

56 This is explained in more detail on Axiom’s website at <http://www.axiomlaw.com/index.php/businessoflaw/>

57 See note 54

58 <http://newyork.citybizlist.com/article/axiom-raises-28-million-private-equity-funding>

13. AUTOMATED DOCUMENT ASSEMBLY: CONTRACT EXPRESS

ContractExpress is an American online contract automation and management service owned by Business Integrity. The company uses patented technology to automate document drafting with Word-software templates. ContractExpress' main clients are law firms. The rationale is that ContractExpress provides a way for law firms to respond to client pressure for lower costs and alternative fee arrangements.

ContractExpress has a number of different products on their website, designed to make life easier on lawyers and legal services cheaper for clients including⁵⁹:

ContractExpress Author (CEA) allows subject matter specialist lawyers to develop Word templates using standard "square bracket" textual mark-up, without having to use the services of template programmers.

ContractExpress DealBuilder (CEDB) can be installed on the intranet or the extranet, and is the core of ContractExpress for SharePoint and ContractExpress Cloud.

ContractExpress Cloud (CEC) is the Cloud version of CEDB, providing subscribers with individual workspaces to manage their generated documents, published templates, and answer sets. Subscribers can create workspaces for communities of users.

ContractExpress Drafter (CED) enables lawyers to merge manual Word edits of previously-generated documents with more recently generated changes

Together, the ContractExpress software provides lawyers with a quick and inexpensive system of automated document assembly.

○ CONSIDER

Lawyers can use ContractExpress to expedite and standardize documents such as lease agreements, confidentiality agreements, or other contracts.

59 This information is available on Business Integrity's website at <http://www.business-integrity.com/products/index.html>

In Canada, both Borden Ladner Gervais LLP (BLG) and Lawson Lundell LLP have licensed ContractExpress.⁶⁰

Similarly, in Canada, Dynamic Legal Forms (DLF) offers clients a system where they can customize documents ranging from wills and leases to cohabitation agreements.⁶¹

⁶⁰ See <http://www.business-integrity.com/company/customers.html>

⁶¹ See <http://www.dynamiclegalforms.com/>.

14. SOCIAL MEDIA: LEGAL ONRAMP

Mark Chandler, General Counsel for Cisco Systems, with the law firm Orrick, Herrington and Sutcliffe and CEO Paul Lippe created the Legal onramp (LOR) site in 2007. LOR is a social networking and information-sharing site for lawyers, using many common social networking features such as discussion forums, blogs, databases, and calendars for upcoming functions – conferences, professional development seminars, etc.⁶²

Membership is by invitation, and is only open to lawyers. The majority of LOR's membership is based in the United States, the United Kingdom, and Canada. Another 10% of members are from continental Europe. The total membership comes from over 40 countries.⁶³

LOR allows members to share documents – from published articles and conference presentations to white papers and forms. It provides access to databases and automated tools for legal work. Members may use LOR as a platform for marketing, collaboration, and service delivery. The web site has a jobs board. It also contains an outsourcing center that has interactive forms for automating part of the legal work in outsourcing relationships.

LOR is a network for lawyers and gives them access to other lawyers who may be able to help with client work in another jurisdiction or provide information on an obscure topic.

○ CONSIDER ...

A site like LOR can exponentially multiply collaboration opportunities among legal colleagues.

62 See <http://legalonramp.com/>. See also: Erik Sherman, "Someone Just Like You", *Corporate Counsel*, June 1, 2009, available at <http://www.law.com/corporatecounsel/PubArticleCC.jsp?id=1202430705001&slreturn=20130105113546>.

63 *Ibid.*



THE CANADIAN
BAR ASSOCIATION
L'ASSOCIATION DU
BARREAU CANADIEN

INFLUENCE. LEADERSHIP. PROTECTION.