

**GERMAN LAW NEWSFLASH – June 2017**

Dear Reader,

Below please find our latest NewsFlash, this time dealing with new opportunities in the field of Legal service and technology. We will guide you through the development of Legal Tech and its recent effects on the market for legal services.

We hope that our NewsFlash meets your interest. Any remarks and feedback are always welcome.

Best regards,

Thomas & Team

**Legal Tech – the digitalization of the legal services**

**How it used to be**

In the information technology age businesses and employees use computers to assist them in their daily office work in a variety of areas, such as writing emails, preparing presentations and for office management. Lawyers are using tools like law firm management software, to organize their files and keep track of their working hours and to conduct legal research. Generally speaking, the computer and its software are used for assistance.

The combination of legal services and IT technology has led to Legal Tech 1.0 services Websites like [www.anwalt.de](http://www.anwalt.de) or [www.123recht.net](http://www.123recht.net), allow for hiring lawyers or asking legal questions to be answered by lawyers for a suggested price.

**What is new**

With the improvement of algorithms in recent years and the possibility to generate and access nearly endless amounts of data (big data) this status quo is currently challenged by new digital concepts for legal services.



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Mainly Startups have focused on opportunities to digitalize legal services. Companies like legalzoom and Rocketlawyer have influenced, as pioneers, the development of Legal Tech 2.0. They offer automated digital services for a reasonable price, e.g. templates for a last will and incorporation documents for companies.

Since 2001 legalzoom has grown to a company of 900 employees, a revenue of \$ 200 mio. and is the market leader for Legal Tech in the US. Legalzoom invested in the startup company legalbase, which act as an agent between lawyers and customers and offers legal services for a fixed price.

Others startups automatically check your legal case and represent you for a success fee. There are platforms for appealing against traffic law fines, to check unemployment benefits decisions and the right of compensation for flight delays as well as a website to automatically check the lawfulness of your rent.

The trend shifts more and more to full services, which will replace repetitive legal work. The Berlin based startup Leverton has developed a software, which automatically checks rent agreements for all important information like notice period, termination date, relevant parties etc. It is primarily designed to administrate large portfolios of real estate transactions or maintenance and is often used in Berlin, being considered as the residential real estate capital of Europe.

In the field of M&A, particularly for the due diligence, more and more companies offer full time solutions to analyze data rooms automatically. The starting point is a software, which uses machine learning. By feeding and training it with relevant contracts the software analyses patterns and is able to recognize them in later contracts. This can be used to identify e.g. change of control or termination clauses. Experts predict that the legal work currently spent on reviewing contracts during the due diligence will decrease by up to one half using Legal Tech 2.0 tools.

The University College London even took the next step by developing a software predicting cases of the European Court of Human Rights with an accuracy of 79%. Another software was able to predict the outcome of decisions of the US Supreme Court with an accuracy of 75%, where the legal

experts only reached 66%.

### **What does it mean for the future**

Legal service practitioners may be worried by those developments and the success of machine learning and artificial intelligence; they may fear losing shares in the market or even feel jobs to be in danger.

People frightened should be reminded to see software as what it should be aimed for, to assist lawyers, to avoid repetitive and time costly work and to provide good data to work with. Machines are only as smart as the humans behind, who arrange for the necessary instructions.

Nevertheless, Legal Tech has become a development every law firm has to have on its radar. The future lawyer not only needs to be an expert in his field of law, he also needs a basic understanding of the IT technology, to continue to provide the legal services his client is asking for. Like in many other areas of consultancy, repetitive and lower qualified work is likely to be machine replaced and fade away also in the field of legal advisor services.

### **Upcoming Event**

Dr Thomas Kaiser-Stockmann will be co-hosting the latest session of the [Law and Tax Academy - What does a German notary do for founders?](#) at Factory Berlin on the 21th June 2017.

**tkslegal Berlin LLP** is a German boutique law firm and notarial office, with a focus on corporate, M&A and real estate transactions. Please feel free to contact us with any questions or comments.

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