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**Outsell Insights for November 14, 2012 Analysis of events, data, and trends affecting the information industry**

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**Thinking Big on Virtual Law Practice**

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**\* Limited legal self-help and automated document assembly dominate today's picture of virtual law practice. In the longer term, however, it's the inevitable virtualization of the larger, corporate-facing practice of law that will bring the most revolutionary changes.**

Important Details: The idea of a virtual law firm has been around for some time now. It has a particular appeal in the consumer and small business legal market, where small firms have traditionally been the primary providers of legal services. A recent Wall Street Journal article [1] gives the subject some coverage, but it seems to mix up two different sorts of businesses: the self-help legal web sites where lawyers troll for clients, on the one hand, and actual traditional law firms that are shifting some of their service delivery online, often on new platforms such as DirectLaw.

The former are mostly lead-generation sites for lawyers of widely varying quality (see reports, 11 March 2011, Self-Help Legal Information Services: Business Models and Market Trends [2]), but the latter really are attempts to bring modern delivery and customer engagement to a profession that is too often regarded as expensive and difficult to deal with.

A new generation of consumers is inclined to turn to the Web to solve legal problems, just as it turns there to do preliminary self-diagnosis of medical conditions or research mortgage rates for refinancing. As in any service business, even transactions that require a one-on-one consultation can be automated to some extent, and parts or all of many service components can be moved online. It's hard to imagine a future law practice that will rely fully on in-person consultations without some online engagement between legal advisor and client.

Still, there are significant regulatory hurdles to the full implementation of online legal practice, including the profession's own ethical rules and regulations. The American Bar Association's Law Practice Management Section has established an eLawyering Task Force [3] that is addressing the many practical, legal and ethical issues around the online practice of law.

These include the issue of whether non-lawyer services delivering and/or reviewing legal forms constitute an unauthorized practice of law. In 2009, the Task Force issued a set of Suggested Minimum Requirements for Law Firms Delivering Legal Services Online [4]. The guidelines address a number of issues including confidentiality, avoiding improperly practicing law outside a jurisdiction, and conflict of interest issues.



On top of the development of virtual law office platforms such as DirectLaw, there is also a growing sense that the back-office operations of small law firms are becoming cheaper as the result of new technologies.

Small firms can now run their firm's infrastructure on SaaS practice management platforms such as Clio [5] or Rocket Matter [6], which significantly improve their ability to run the business without the cost overhead that traditional server-based enterprise firm management software entails.

The focus of any discussions around virtual law practice do seem to center around the needs of consumer clients, because it's there there is a natural fit between an under-served population and technologies that can reduce the cost of dealing with the traditional form of legal services delivery. However, articles like the Wall Street Journal's, and other commentary on the phenomenon seem to overlook the coming virtualization of Big Law as well - the large, multinational law firms that dominate the delivery of legal services to corporations.

Implications: In that upper tier of law firms, the virtualization of practice will likely be much more transformative than in the Main Street or High Street firms. There, the sheer volume and scope of the work delivered by larger firms dwarfs the limited range of services provided by smaller firms. And more and more of their activities are seen as reproducible business processes that can and will be automated or shipped out to lower-cost providers.

In a larger perspective, and given a longer time line, the level of virtualization of larger law firms will far exceed the modest changes going on at the lower end of the market. Much of a firm's infrastructure and overhead today - people, technology, and office space - will not really need to be physically united. In-person relationships and high-value advisory work will necessitate some physical presence, to be sure, but routine work that now is performed by lawyers at high rates can and will be farmed out to cheaper people, or cheaper technology, located in cheaper locations. All of the digital assets of a firm - its know-how and its work product - will be located in the cloud once the security and regulatory issues are solved. In short, there is very little about the current way that law firms are organized or managed that is set in stone, and as a business that is almost entirely about information and processes that can be digitized and automated, the practice of law seems to be one of the best candidates for the sort of virtualization that has only been dreamed of in other industries.

So for now, the idea of smaller law firms reaching a latent consumer market with new technologies might be the prevailing model for how the practice of law is changing. In the longer term, much bigger changes are in store.

Legal information providers are already involved in delivering some of the IT infrastructure to today's firms, but they haven't seen anything yet.

They will need to change and adapt and help provide some of the new virtualized infrastructure, or someone else will.



Links contained in this article:

[1] <http://online.wsj.com/article/SB10001424052970204349404578100851982188858.html>"

[2] <http://www.outsellinc.com/b2b/products/986-self-help-legal-information-services-business-models-and-market-trends>"

[3] <http://apps.americanbar.org/dch/committee.cfm?com=EP024500&edit=1>"

[4]

[http://meetings.abanet.org/webupload/commupload/EP024500/relatedresources/Minimum\\_Requirements\\_for\\_Lawyers\\_2009\\_10\\_24.pdf](http://meetings.abanet.org/webupload/commupload/EP024500/relatedresources/Minimum_Requirements_for_Lawyers_2009_10_24.pdf)"

[5] <http://www.goclio.com/>"

[6] <http://www.rocketmatter.com/>"

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