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WHAT WE KNOW AND NEED TO KNOW ABOUT LEGAL STARTUPS

Daniel W. Linna Jr. *

I. INTRODUCTION

In the last few years a significant number of legal startups have entered the legal market. While much has been written about “disruptive innovators” and legal startups generally, we do not have a lot of specific information about legal startups. This Paper is a starting point to define legal startups, discuss why they are emerging, establish a taxonomy for legal startups, and identify what more we need to know about legal startups. There are few clear answers in this arena. It is my hope that this Paper will serve as a starting point for discussion that will lead to the legal industry leveraging the innovation demonstrated by legal startups to improve legal service delivery and access to legal services for everyone.

II. WHAT IS A LEGAL STARTUP?

To define a legal startup, first we must define a startup. Startups are entrepreneurial ventures and new businesses focused on searching for a repeatable and scalable business model.¹ Startups are “in a phase of development and research for markets.”² Startups attract investors interested in the potential for high returns on a high-risk investment.³ Startups are focused on rapid growth and the potential for substantial future revenue.⁴ Startups can be distinguished from small businesses, which are focused on profitability and stable long-term growth.⁵ The mention of startups for most brings to mind Silicon Valley technology companies. But startups include more than technology companies.⁶ To some, they even include new divisions in a company

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1. Steve Blank, *Search Versus Execute*, STEVE BLANK (Mar. 5, 2012), <http://steveblank.com/2012/03/05/search-versus-execute/>.

2. *Id.*

3. *Startup Companies Law & Legal Definition*, USLEGAL, <http://definitions.uslegal.com/startup-companies/> (last visited Mar. 25, 2016).

4. Young Entrepreneur Council, *Are You Building a Small Business - Or a Startup?*, FORBES (Aug. 15, 2012, 2:03 AM), <http://www.forbes.com/sites/theyec/2012/08/15/are-you-building-a-small-business-or-a-startup/> (quoting Neil Blumenthal, cofounder and co-CEO of Warby Parker).

5. *Id.*

6. Natalie Robehmed, *What Is a Startup?*, FORBES (Dec. 16, 2013, 8:42 AM), <http://www.forbes.com/sites/natalierobehmed/2013/12/16/what-is-a-startup>.

and nonprofits based on an innovative business model.⁷ Simply put, “[a] startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed.”⁸

For our purposes, a legal startup is a newly formed organization providing innovative products or services to improve legal service delivery. “Innovative” is applied broadly to include innovative products and services or innovation in legal service delivery. Excluded from this definition, at least for our purposes, are consultants and law firms.⁹

III. THE LEGAL STARTUP MARKET

The legal industry has observed significant growth in the number of legal startups in the last five years. This observation, however, is based upon limited data and many anecdotes. One measure of the growth of the legal startup ecosystem is the listing of legal startups on AngelList, a website for startups, angel investors, and job-seekers looking to work at startups.¹⁰ In 2009, only 15 legal startups were listed on AngelList.¹¹ By April 2014, there were more than 400 legal startups listed.¹² By January 2015, the number had grown to more than 720 startups.¹³ As of November 7, 2015, there were 976 entities listed under the “legal startups” category¹⁴ and 210 entities listed under the “legal tech startups” category.¹⁵

AngelList is a good source for information about legal startups, but too much should not be made of the sheer number of startups listed within a market category. Companies self-report information to AngelList. Browsing the lists of legal and legal tech startups reveals many that are not startups. For example, these categories include descriptions of ideas that have not launched, law firms, and other entities that appear to have been misclassified.¹⁶ Also, defunct startups remain listed on AngelList by design. AngelList does not curate the lists and the

7. *Id.*

8. *Id.* (quoting Neil Blumenthal, cofounder and co-CEO of Warby Parker).

9. In future work, it may be beneficial to explore limitations to this definition. For example, when evaluating incubator programs, should legal startups be limited to only those with repeatable and scalable business models and the potential for enormous returns?

10. ANGELLIST, <https://angel.co/> (last visited Mar. 25, 2016).

11. Nicole Bradick, Potomac Law Grp., *All Rise: The Era of Legal Startups Is Now in Session*, VENTURE BEAT (Apr. 13, 2014, 8:32 AM), <http://venturebeat.com/2014/04/13/all-rise-the-era-of-legal-startups-is-now-in-session/>.

12. *Id.*

13. Susan C. Liebel, *Are You Working with the New Consumer-Facing Legal Startups?*, SOLO PRACTICE UNIV. (Jan. 26, 2015), <http://solopracticeuniversity.com/2015/01/26/are-you-working-with-the-new-consumer-facing-legal-startups/>.

14. *Legal Startups*, ANGELLIST, <https://angel.co/legal> (last visited Mar. 25, 2016).

15. *Legal Tech Startups*, ANGELLIST, <https://angel.co/legal-tech-1> (last visited Mar. 25, 2016).

16. AngelList allots each company four market tags. Seth Goldstein, *Winning AngelList*, TECHCRUNCH (Apr. 2, 2014), <http://techcrunch.com/2014/04/02/winning-angelist/>.

creator of a startup profile can delete the profile only if the creator is the only person connected to the profile.¹⁷ While there is over-counting, it is also true that not all legal startups choose to be listed on AngelList.

Investment in legal startups has also increased significantly over the last three years. In 2012, AngelList reported \$66 million invested in legal startups. In 2013, that number grew to \$458 million.¹⁸ Reports were that investment in legal startups slowed in 2014, but some called 2015 “the year of the legal startup.”¹⁹

IV. WHY ARE LEGAL STARTUPS EMERGING?

The emergence of legal startups cannot be attributed to any one obvious driver. Instead, there are several contributing factors.

A. Demand Side

1. Law Is a Lucrative Industry and Startups Want a Piece of It

Experts estimate that the value of the total U.S. legal market is as much as \$400 billion.²⁰ In 2013, approximately \$250 billion of this revenue was generated by law offices providing legal services.²¹ This is nearly double the U.S. accounting, tax preparation, and payroll services industry, which reached approximately \$137 billion in 2013.²² Additionally, large law firm profits have exploded over the last 25 years. Average profits per partner for Am Law 100 partners increased approximately 355% from 1986 to 2011—from \$325,000 to \$1.48 million—outpacing the consumer price index, which rose 205%.²³ Given these numbers, it is no surprise that legal startups would emerge and many players would pursue a piece of this revenue stream.²⁴

17. See *All/Startups*, ANGELLIST (Sept. 29, 2015), <https://angel.co/help/startups/delete-startup> (“How can I delete a startup profile I created?”).

18. Joshua Kubicki, *2013 Was a Big Year for Legal Startups; 2014 Could Be Bigger*, TECH.CO (Feb. 14, 2015, 12:07 PM), <http://tech.co/2013-big-year-legal-startups-2014-bigger-2014-02>.

19. Liebel, *supra* note 13.

20. Joshua Kubicki, *Make that \$400 Billion for the US Legal Market Size*, LEGAL TRANSFORMATION INST. (Feb. 24, 2014), <http://legaltransformationinstitute.com/blog/2014/2/22/make-that-400-billion-for-us>.

21. *Revenue of Legal Services (NAICS 5411) in the United States from 2008 to 2018 (in million U.S. Dollars)*, STATISTICA, <http://www.statista.com/forecasts/311177/us-legal-services-revenue-forecast-naics-5411> (last visited Mar. 25, 2016).

22. *Id.*

23. William Henderson, *From Big Law to Lean Law*, 3 INT’L REV. L & ECON. 1, 4 (2013).

24. They are after legal gold!

2. *Legal Startups Have Opportunities to Fulfill Individuals' and Small Businesses' Unmet Need for Legal Services*

Legal startups also have opportunities to fulfill the unmet need for legal services. In 2015, American Bar Association President William Hubbard estimated that 80% of the U.S. population lacked adequate access to legal services.²⁵ It bears repeating that this is 80% of the U.S. population, not 80% of the indigent, an approximation often cited.²⁶ This number highlights that the lack of access to legal services extends to a substantial proportion of the middle class. One expert estimates that this unmet need represents roughly a \$45 billion untapped market.²⁷

The unmet need includes not only those who cannot afford legal services, but also those who do not realize that they have a legal problem.²⁸ The two reasons offered most frequently for not seeking legal services to help solve a legal problem is that people (1) do not think that the issue was legal or did not consider law as a solution, and (2) believed that they understood their situations and were taking those actions that were possible.²⁹ Studies have shown that about 87% of households with legal problems do not seek legal assistance.³⁰ This untapped market for legal services is potentially worth billions more.³¹

Businesses also face the problem of unmet need for legal services, or simply choose not to seek the help of a lawyer. According to a marketing study by Decision Analyst, commissioned by LegalShield, nearly 60% of all small businesses (business with one to 250 employees, which number more than 13 million small businesses) had experienced a significant legal event in the last two years.³² Of those, nearly 60% reported not hiring an attorney to help them. Those who sought help reported spending an average of \$7,600 in legal expenses

25. Meg Graham, *How the ABA Is Using Technology to Make Legal Services More Accessible*, CHI. TRIB. (Mar. 16, 2015, 7:05 AM), <http://www.chicagotribune.com/bluesky/originals/chi-william-hubbard-aba-bsi-20150313-story.html>.

26. Seven state studies have found that low-income households experience a per-household average of legal needs of up to three per year. Fewer than one in five of these legal needs is addressed with the assistance of a private or legal aid lawyer. LEGAL SERVS. CORP., DOCUMENTING THE JUSTICE GAP IN AMERICA: THE CURRENT UNMET CIVIL LEGAL NEEDS OF LOW-INCOME AMERICANS (Sept. 2009), <http://www.americanbar.org/content/dam/aba/migrated/marketresearch/PublicDocuments/JusticeGapInAmerica2009.authcheckdam.pdf>.

27. Kubicki, *supra* note 20.

28. Rebecca Sandefur, *Civil Legal Needs and Public Legal Understanding*, AM. BAR FOUND., http://www.americanbarfoundation.org/uploads/cms/documents/sandefur_-_civil_legal_needs_and_public_legal_understanding_handout.pdf (last visited Mar. 25, 2016).

29. *Id.*

30. Renee Newman Knake, *Democratizing Legal Education*, 45 CONN. L. REV. 1281, 1283 (2013).

31. *Id.* at 1284.

32. LEGALSHIELD, THE LEGAL NEEDS OF SMALL BUSINESSES: A RESEARCH STUDY CONDUCTED BY DECISION ANALYST COMMISSIONED BY LEGALSHIELD, https://business.legalshield.com/sites/default/files/reports/legal-needs-of-small-business_0.pdf (last visited Mar. 25, 2016) [hereinafter LEGAL NEEDS].

annually; with 20% saying they spent \$10,000 or more annually.³³ From this study, we can extrapolate that every year more than 7 million small businesses do not seek a lawyer when facing a significant legal event.³⁴ Based on the average legal expenditure of \$7,600 for those small businesses that do seek legal services, the untapped legal market for small businesses alone is approximately \$53 billion.³⁵

3. *Clients Are Demanding Lower Prices, Greater Transparency, and Higher Quality Legal Services*

The 2008 U.S. recession accelerated changes in the demand for legal services.³⁶ This included legal departments demonstrating greater resistance to the escalating costs of legal services.³⁷ Many legal departments have since demanded lower prices, greater transparency, and higher-quality legal services. While short of an industry revolution (at least, not yet), this movement has created opportunities for legal startups to provide services to legal departments. At the same time, these changes have created lawyer demand for products and services to help them meet their clients' demands.

There has also been an increasing trend for corporate legal departments to hire more attorneys and “make” rather than “buy” certain legal services. As corporate legal departments play a greater role in delivering legal services, legal startups have greater opportunities to sell products and services to corporate legal departments.

It is worth noting that legal department insourcing is contrary to the general trend of corporate outsourcing. Over the last few decades, corporations have tended to outsource and spin off non-core components of their businesses. Legal department insourcing has primarily been driven by, it seems, the increasing cost of legal services delivered by law firms. In light of general corporate outsourcing trends, legal startups have opportunities to capture work that corporate legal departments have brought back into organizations.

B. Supply Side

1. Law Firms and Lawyers Are Not Meeting All Legal Service Needs

The factors discussed above have created a rapidly changing, competitive landscape for lawyers and law firms.³⁸ Lawyers and their law firms are no

33. *Id.*

34. *Id.*; see also Kubicki, *supra* note 20.

35. LEGAL NEEDS, *supra* note 32.

36. Henderson, *supra* note 23, at 4.

37. *Id.*

38. Press Release, Ctr. for the Study of the Legal Profession, Georgetown Law, Georgetown Law and Peer Monitor Release 2015 Report on the State of the Legal Market (Jan. 9, 2015),

longer competing only against each other.³⁹ They are competing against a multitude of competitors seeking to gain market share.⁴⁰ Therefore, lawyers and law firms face growing pressure to innovate and improve legal service delivery.⁴¹

2. *A Legal Startup Ecosystem Has Emerged, Making It Easier for Others to Join the Fray*

Whereas just five years ago very few legal startups existed, today many are competing for a piece of the legal services market. Despite historical barriers to financing legal innovation,⁴² the amount invested in legal startups has increased significantly. A legal startup ecosystem has emerged.

To spur innovation, critics and reformers have called for a relaxation of U.S. laws and regulations that govern who can offer and share the fees from legal services.⁴³ England and Australia have relaxed these rules and allow alternative business structures. While U.S. jurisdictions have not similarly relaxed their rules, some note that the American Bar Association and states acquiesced as companies like LegalZoom and others improved their forms and software and built their businesses.⁴⁴ Other legal startups have carried on this innovation. Richard Susskind predicts that within ten years most jurisdictions in the West will have relaxed rules, if not through independent decision, as a result of market pressure from other liberalized countries.⁴⁵ Susskind believes that liberalization will lead directly to the development of new legal services and legal businesses that better meet clients' growing more-for-less challenge, which will cause a "ripple effect around the world."⁴⁶

This legal startup ecosystem includes the improved quality and decreased cost of technology, which has made it easier to launch legal startups. Increased processing power and decreased information storage space have fueled legal

<https://www.law.georgetown.edu/news/press-releases/georgetown-law-and-peer-monitor-release-2015-report-on-the-state-of-the-legal-market.cfm>.

39. *Id.*

40. *Id.*

41. This is where we encounter the "innovator's dilemma," as described by Clayton Christensen. For a discussion of the innovator's dilemma, see Raymond H. Brescia et al., *Embracing Disruption: How Technological Change in the Delivery of Legal Services Can Improve Access to Justice*, 78 ALB. L. REV. 553, 554 (2015).

42. See Gillian K. Hadfield, *Legal Barriers to Innovation: The Growing Economic Cost of Professional Control over Corporate Legal Markets*, 60 STANFORD L. REV. 1689 (2008).

43. RICHARD SUSSKIND, TOMORROW'S LAWYERS 6 (2013).

44. BENJAMIN H. BARTON, GLASS HALF FULL: THE DECLINE AND REBIRTH OF THE LEGAL PROFESSION 85 (2015).

45. SUSSKIND, *supra* note 43, at 9–10.

46. *Id.*

innovation, just as they have fueled innovation in other industries.⁴⁷ The legal profession traditionally has not been quick to adopt new technologies, but it is now finding technology impossible to avoid.⁴⁸

3. *Students and Professionals Are Interested in How Innovation Is Affecting the Legal Industry and Want to Be a Part of It*

Before legal startups and nontraditional careers began to emerge, talented law school graduates found that they had few options outside of working for a big law firm.⁴⁹ Several other options have begun to emerge.⁵⁰ In part due to the softness of the traditional legal market, a growing number of law schools highlight these nontraditional opportunities and train and encourage students to be legal service delivery entrepreneurs.⁵¹ Likewise, technologists, other professionals, and students from a variety of backgrounds are also intrigued by working at a company that is connected to the legal industry. Many are interested in helping solve challenging problems and contributing to legal service delivery improvements.

V. OPERATING MODELS: PEOPLE, PROCESS, AND TECHNOLOGY

It is useful to think about legal startups in terms of the operating model they use to deliver products and services. A common analytical framework in other industries is people, process, and technology. Many legal startups have emphasized one of these areas to pursue a competitive advantage. But a holistic approach that strategically integrates people, process, and technology into a business's operations and competitive advantage is ordinarily necessary for sustainable success.⁵²

A. *People*

Many legal startups began by figuring out how to replace expensive people with less expensive people in the legal services supply chain. For example, legal

47. Daniel Martin Katz, *Quantitative Legal Prediction—Or—How I Learned to Stop Worrying and Start Preparing for the Data-Driven Future of the Legal Services Industry*, 62 EMORY L.J. 909, 916 (2013).

48. SUSSKIND, *supra* note 43, at 10.

49. Zach Abramowitz, *The Disruption of Biglaw Might Come, Not from Startups, But Lawyers Themselves*, ABOVE THE LAW (July 6, 2015, 5:44 PM), <http://abovethelaw.com/2015/07/the-disruption-of-biglaw-might-come-not-from-startups-but-lawyers-themselves/>.

50. SUSSKIND, *supra* note 43, at ch. 11 (listing various nontraditional jobs).

51. *See, e.g.*, LEGALRND, <http://legalrnd.org> (last visited Mar. 25, 2016).

52. Kenneth Grady, *Is Labor Arbitrage the Answer or a New Problem? (Part 1)*, SEYTLINES (July 7, 2015), <http://www.seytlines.com/2015/07/is-labor-arbitrage-the-answer-or-a-new-problem-part-1/>.

process outsourcers (LPOs) sprung up based on this labor arbitrage model.⁵³ LPOs serve both corporate legal departments and law firms from which legal work is outsourced to jurisdictions where it is less costly to perform the work.⁵⁴ This labor arbitrage approach has been used in many other industries.⁵⁵

Beyond labor arbitrage, some legal startups better utilize lawyers, paralegals, contract lawyers, and other professionals to deliver greater value. To a great extent, this is made possible by a better understanding of processes, which enables companies to disaggregate legal work, and better manage the legal supply chain.

B. Process

The disaggregation of the legal supply chain into processes and discrete tasks has created many opportunities for legal startups.⁵⁶ Traditionally, lawyers took on a legal matter, handled the whole matter, and delivered a complete solution. With increasing legal complexity, the rise of large law firms, and increasing lawyer specialization, fewer and fewer matters are handled in this fashion today. Fewer lawyers are generalists. Instead, lawyers focus on solving specific problems. Legal issues are broken into their component parts and the matter is staffed to include the right experts to deliver an appropriate solution.⁵⁷ For work done at law firms, this generally meant that a partner at the law firm determined how the work should be completed and by whom. Increasingly, a lawyer in the client's corporate legal department will decide how the work is completed, perhaps with only some of it going to an outside law firm, some being done in house, and some going to a legal startup (such as an LPO) or other entity.

Disaggregation is not limited to corporation's legal work. For individuals, legal representation has been unbundled⁵⁸ so that individuals may, for example, engage in "do it yourself" representation for certain parts of a matter and engage a lawyer for only a portion of the matter, if needed. The disaggregation of the legal supply chain empowers clients to play a greater role in determining who is the best provider for each component of legal service delivery.⁵⁹

53. Milton C. Regan, Jr. & Palmer T. Heenan, *Supply Chains and Porous Boundaries: The Disaggregation of Legal Services*, 78 *FORDHAM L. REV.* 2137, 2139 (2010).

54. Ashish Prasad & Ajay Mago, *Legal Process Outsourcing: A Guide to Important Considerations, Risk Mitigations and Achieving Success*, in *DOING BUSINESS IN INDIA 2008: CRITICAL LEGAL ISSUES FOR U.S. COMPANIES* (P.L.I. 2008).

55. The legal industry can learn from other industries that it is not easy to sustain a business model focused primarily on labor costs. See Grady, *supra* note 52.

56. See Regan & Heenan, *supra* note 53.

57. JOHN E. MURDOCK III & NANCY LEA HYER, *LEAN LAWYERING* (July 28, 2012), http://www.lawpracticeoperations.com/Lean_Lawyer_as_of_1_4_13_2_.pdf.

58. Unbundling is not expressly allowed in all states.

59. See Regan & Heenan, *supra* note 53; see also Daniel W. Linna Jr., *Law Practice: From Art to Science*, VIMEO (Apr. 4, 2014, 6:19 AM), <https://vimeo.com/90956657>.

LPOs and other legal startups entered the legal services market focused on labor arbitrage and delivering services that required minimal legal knowledge. LPOs and legal startups today provide an array of products and services and reach a broader market. They are increasingly looking to solve more complex legal problems. Restrictions on the provision of legal services limit legal startups' ability to innovate in these areas.⁶⁰ Despite this, as legal work is disaggregated, processes are defined, standard work processes develop, and legal supply chains emerge, there are greater opportunities for startups to provide services within the confines of these restrictions.⁶¹ That is, taking legal matters that were traditionally handled in their entirety by lawyers and disaggregating them reveals significant work that does not clearly fall within what would be considered the "practice of law." This creates abundant opportunities for lawyers and clients to reallocate that work to lower-cost lawyers, paralegals, other legal services professionals, other professionals, and legal startups.

Lawyers often dismiss the suggestion that legal service delivery can be disaggregated in this fashion. Lawyers object that what they do is art, not science.⁶² The disconnect, as Richard Susskind says, is that lawyers tend to see the move from bespoke legal services to the commoditization of legal services as a dichotomy.⁶³ It is difficult for lawyers to envision taking bespoke legal services and converting them into a commodity. But what Susskind describes is the evolution of legal services from bespoke to commodity, with three stages in between.⁶⁴ This is not to say that all bespoke legal work can be commoditized. But much of what is performed as bespoke work today can at a minimum be standardized and moved along the continuum toward commoditization.

60. See Neil Rickman & James M. Anderson, *Innovations in the Provision of Legal Services in the United States: An Overview for Policy Makers*, RAND ix (2011), http://www.rand.org/content/dam/rand/pubs/occasional_papers/2011/RAND_OP354.pdf ("Yet numerous restrictions on the provision of legal services—from traditional restrictions on litigation and firm financing to the requirement that a legal provider be a licensed attorney in a particular state—limit the kinds of innovation that are permissible.").

61. See Regan & Heenan, *supra* note 53.

62. Linna, *supra* note 59.

63. SUSSKIND, *supra* note 43, at ch. 3.

64. *Id.*

Stage	Definition	Example
Bespoke	Handcrafted; one to one; individualized. (May or may not be high quality.)	Lawyers handle all components of an M&A transaction, including due diligence.
Standardized	Draws on prior experience; not reinventing the wheel; checklists; templates.	Lawyers use templates and checklists to complete due diligence, standardizing the process.
Systematized	Expert systems; document automation.	Lawyers use technology assisted review tools to complete due diligence.
Packaged	Do it yourself tools; training programs; compliance tools.	Due diligence is further standardized and systematized and packaged solutions for specific types of transactions are offered.
Commoditized	High quality service; reasonable price.	Technology assisted review for due diligence becomes standardized and commonplace such that there is no difference in quality among providers. Clients are not willing to pay more than a standard rate for this commoditized service.

Although many lawyers face situations that require bespoke attention, they usually tackle problems bearing a strong similarity to past problems.⁶⁵ In fact, one reason a client hires one lawyer over another, or one firm over another, is that the client believes that the lawyer or firm has previously undertaken similar work.⁶⁶ Each case should not start from scratch.⁶⁷ Clients expect a degree of standardization.⁶⁸

The evolution of legal services does not stop at standardization. Processes can be systematized.⁶⁹ This can include the development of computerized

65. *Id.* at 25.

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.* at 26.

checklists and procedure manuals for workflow systems.⁷⁰ Rule-based decision trees can be used to assemble documents, with provisions inserted or deleted based on responses to particular questions.

Next, lawyers can pre-package their experience and make it available online as part of packaged offerings.⁷¹ This can dramatically lower the cost of legal services for the client.⁷² As legal services evolve, efficiency and quality improve and the costs become more certain.⁷³

Finally, some legal work will continue to evolve and become commoditized. Commodity legal work will become freely available at no or low cost on the Internet.⁷⁴ Susskind notes that while this may not benefit lawyers financially, it will increase access to legal services for those who cannot currently afford them.⁷⁵

Legal startups have benefitted from the evolution of legal service delivery along this continuum. As legal services are standardized through lean systems thinking,⁷⁶ clients have opportunities to seek providers that can deliver greater efficiency and quality and better outcomes at lower costs. Often overlooked is the potential not only for efficiency and cost savings, but also greater quality and better outcomes. Moving from a bespoke legal service delivery model to one based on standards and systems allows even inexperienced lawyers to complete high-quality legal work.⁷⁷ This evolution creates abundant opportunities for legal startups to deliver legal products and services as part of the legal services supply chain.

C. Technology

Technology is radically altering the legal service delivery landscape.⁷⁸ This begins with clients' access to information. In the past, lawyers held all of the legal information. Clients, for the most part, had to consult lawyers with their legal problems. Today, there is a wealth of legal information available on the Internet. Approximately 98% of Americans have access to this information via

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*

74. *Id.*

75. *Id.*

76. See JAMES P. WOMACK & DANIEL T. JONES, *LEAN THINKING: BANISH WASTE AND CREATE WEALTH IN YOUR CORPORATION* (2003).

77. Alex Hamilton & Kevin Colangelo, *Making LPO Work*, *OUTSOURCE MAG.* 62 (July 3, 2012), <http://www.jdsupra.com/legalnews/making-lpo-work-kevin-colangelo-alex-54693/>; MURDOCK & HYER, *supra* note 57, at 2 (“In fact, with the right process-based tools, even an inexperienced lawyer can perform above-average legal work.”).

78. See SUSSKIND, *supra* note 43, at 11.

high-speed Internet.⁷⁹ Nearly two-thirds (64%) of Americans own smartphones, up from 35% in 2011.⁸⁰ The diffusion of legal knowledge has reduced barriers to self-representation.⁸¹ It also creates many opportunities for the unbundling of legal services, as clients seek to handle portions of matters on their own and turn to lawyers for components where lawyers can add the most value.

On the delivery side, technology is driving legal industry productivity in much the way it has in other industries and leading to the development of powerful legal technology. Technology performs a growing number of tasks previously performed by lawyers.⁸² For example, technology assisted review can eliminate a significant portion of the time that lawyers are used for first-level review in a litigation matter or in due diligence. Expert systems help structure rules and guide clients to answers. Document automation combined with analytics allows lawyers and clients to quickly generate high-quality forms, contracts, briefs, and other documents. As significant data is gathered about case outcomes, transactions, and the world around us, increased computing power and nearly limitless storage space has fueled legal analytics. As these technologies emerge, the availability of application programming interfaces (APIs) allow software programs to talk to each other. As the legal supply chain is further disaggregated, opportunities will continue to arise to implement technology to deliver services.

Technology holds great promise for improving legal service delivery and increasing access to legal services across the legal industry, but it is not a silver bullet. Without a strong understanding of the problem and the people and process components, technology projects can quickly become expensive failures. Leaping to technology solutions without a strong understanding of processes often only exacerbates underlying deficiencies in processes.⁸³ When implementing technology, a large share of any improvement can be attributed to process improvements implemented in conjunction with the technology. Understanding this highlights the opportunities to realize great gains in efficiency, quality, and outcomes through process improvement initiatives alone. Then, improving processes sets the stage for leveraging technology, when it is needed.

79. Chris Evans, *98 Percent of Americans Are Connected to High-Speed Wireless Internet*, WHITE HOUSE BLOG (Mar. 24, 2015, 6:58 PM), <https://www.whitehouse.gov/blog/2015/03/23/98-americans-are-connected-high-speed-wireless-internet>.

80. AARON SMITH, U.S. SMARTPHONE USE IN 2015, PEW RESEARCH CTR. (Apr. 1, 2015), <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/>.

81. See Rickman & Anderson, *supra* note 60.

82. See Frederic S. Ury & Jordan Furlong, *What the Future Legal Market Means for Lawyers and Bar Associations*, 37(6) BAR LEADER (July-Aug. 2013), http://www.americanbar.org/publications/bar_leader/2012_13/july_august/what_future_legal_market_means_lawyers_bar_associations.html.

83. DANIEL E. WILLIAMS & JAY LEASK, PEOPLE, PROCESS, TECHNOLOGY STRATEGY FOR ENTERPRISE 2.0, BOOZ, ALLEN, & HAMILTON (July 1, 2011), <http://www.boozallen.com/media/file/People-Process-Technology-Enterprise2.pdf>.

VI. DEVELOPING A LEGAL STARTUP TAXONOMY

The development of a taxonomy of legal startups will provide a common framework for discussion and analysis of legal startups and the broader legal industry. Some have begun to propose classification structures,⁸⁴ but there does not appear to be any general consensus around a particular structure.

A taxonomy of legal startups could be developed in a variety of ways. My starting point has been to look at the current legal industry, the legal supply chains that have developed, and how those supply chains are being disaggregated. Within that framework, I begin by identifying the market segments that legal startups serve. Generally, legal startups directly serve individual consumers (including small businesses), businesses, governments, and lawyers. Then, within each of these market segments, I have identified categories of solutions and, within most of those, sub-categories of solutions.

The taxonomy proposed here is incomplete. Many legal startups will not find a perfect home in this taxonomy and it does not identify many emerging areas. This is a starting point and I encourage others to build upon this framework or propose a completely different framework.⁸⁵ Much work remains to be done.

Finally, while laying out this taxonomy, I identify examples of legal startups operating within certain areas. I do this solely to illustrate how legal startups fit within the taxonomy and communicate information about the taxonomy. The mention of a legal startup is in no way intended to be an endorsement, just as the omission of another is in no way intended to communicate anything negative about the legal startup. In some areas, there are many legal startups and in other areas there are very few. In all instances, I do not purport to know the identity of all legal startups. Additionally, many legal startups that I mention are working on multiple solutions and therefore could be used as examples for multiple categories.

84. See *Legal Startups Transforming the Delivery of Legal Services*, BRANCHING LEGAL, <http://www.branchinglegal.com/legal-startups-transforming-the-delivery-of-legal-services/> (last visited Mar. 25, 2016); see also Janine Sickmeyer, *Legal Tech Startups in 2014*, LAWYERIST.COM (June 25, 2014), <https://lawyerist.com/74528/legal-startups/2/>.

85. Rather than trying to fit each legal startup into a place on this taxonomy, a tagging system may work best. For example, startups could be tagged based on (1) market segment served, (2) geographic markets serviced, (3) substantive legal area, (4) revenue model, (5) platform, etc.

VII. MARKET SEGMENTS SERVED BY LEGAL STARTUPS

A. *B2C—Business to Consumer, Including Small Businesses*

The business-to-consumer (B2C) market segment includes business conducted directly by the legal startup to the customer, who is the end-user.⁸⁶ For our purposes, the B2C segment includes small businesses. For the most part, small businesses purchase legal services more like consumers than large businesses. Generally, individuals form small businesses and their first experiences purchasing legal services are as individuals. In B2C markets, there is usually a shorter decision-making process before a purchase, a smaller number of stakeholders involved, and a short-term relationship between the business and consumer.⁸⁷

B. *B2B—Business to Business, Not Including Small Businesses*

In the business-to-business (B2B) market segment, legal startups sell their products and services directly to another business.⁸⁸ Again, for our purposes this segment does not include small businesses, which are included in the B2C segment. This segment also does not include lawyers in corporate legal departments, who are included in the business to lawyer segment.

There is not a bright-line distinction between businesses and the legal-department lawyers within businesses as purchasers. Rather, there is a continuum of products and services that are targeted purely to businesses and those that are targeted purely to lawyers. At the extremes, some purely enable lawyers by helping improve legal service delivery efficiency, quality, and outcomes, while at the other extreme they eliminate the need for lawyers (to varying extents). For example, only lawyers have an interest in using tools to track time and produce billing descriptions for invoices. At the other end of the continuum, a business about to enter into a significant transaction with another business might use technology assisted review to conduct due diligence, eliminating at least some of the need for lawyer time.

In between are solutions that both lawyers and businesses may purchase. For example, both lawyers and businesses are interested in document automation. Lawyers can use document automation to improve the efficiency and quality of generating contracts. Businesses can do the same and increasingly may generate certain contracts without the need for additional legal services. This tension illustrates the opportunities for lawyers to embrace improved processes and technology, incorporate them in the delivery of legal services, and

86. See *Business to Consumer—B To C*, INVESTOPEDIA, http://www.investopedia.com/terms/b/btoc.asp?optm=sa_v1 (lasted visited Mar. 25, 2016).

87. *Id.*

88. See *Business to Business—B To B*, INVESTOPEDIA, http://www.investopedia.com/terms/b/btob.asp?optm=sa_v1 (last visited Mar. 25, 2016).

demonstrate the added value that the lawyers can provide to the business. If lawyers cannot do this, they are at risk of being excluded to varying degrees as businesses, legal startups, and other professionals produce solutions to business problems. Wherever the legal startups may focus their marketing, an interesting question is the extent to which businesses will adopt their products and services when their lawyers do not.

In B2B markets, businesses make decisions on price and profit potential alone rather than popularity and status, as may be seen in the B2C market.⁸⁹ In the B2B market, there is usually a smaller lead pool, greater product knowledge, a longer decision-making process, a greater number of involved stakeholders, and a longer-term relationship.⁹⁰

C. B2G—Business to Government

The business-to-government (B2G) segment is made up of legal startups that sell products and services to the government, primarily courts.⁹¹ Courts purchase a range of legal products and services similar to those that businesses and lawyers purchase. The purpose here is not to classify those traditional products and services, some of which face competition from legal startups. Rather, the purpose is to identify areas in which legal startups are providing products and services and also identify the great potential for legal startups to provide products and services that can help governments and courts improve legal service delivery.

D. B2L—Business to Lawyer, Including Law Firms and Legal Departments

The business-to-lawyer (B2L) market segment is made up of those startups that sell products and services directly to lawyers, including lawyers in law firms and legal departments. As discussed above, the B2L and B2B categories are not mutually exclusive. Many legal startups sell products and services that are purchased by both businesses and lawyers.

89. See *Business To Business Marketing*, MARKETINGSCHOOLS.ORG, <http://www.marketingschools.org/types-of-marketing/b2b-marketing.html> (last visited Mar. 25, 2016).

90. Chuck Cohn, *Differences in Selling B₂B vs. B₂C*, FORBES (June 16, 2015, 5:54 PM), <http://www.forbes.com/sites/chuckcohn/2015/06/16/differences-in-selling-b2b-vs-b2c/2/>.

91. The B2L market segment includes government lawyers who purchase goods and services from legal startups. These are not the only opportunities for legal startups to sell products and services to governments.

VIII. A TAXONOMY OF LEGAL STARTUPS

A. B2C (Including Small Businesses)

1. Find a Lawyer

Many legal startups help consumers and small businesses find lawyers. The “Find a Lawyer” category includes “Lawyer Marketplace and Ratings” and “Lawyer Screening and Matching.”

2. Lawyer Marketplace and Ratings⁹²

“Lawyer Marketplace and Ratings” startups provide a database of lawyers and their contact information along with ratings of the lawyer or law firm.

3. Lawyer Screening and Matching

“Lawyer Screening and Matching” startups have a network of vetted attorneys who meet certain standards and requirements. While lawyer marketplaces generally have few or no barriers for an attorney to be listed and merely provide contact information, “Lawyer Screening and Matching” services are more hands-on. These companies recommend specific lawyers and often facilitate the initial connection.

4. Do It Yourself

The “Do It Yourself” marketplace consists of the growing number of consumers and small businesses that seek basic information and forms to complete legal tasks themselves.⁹³ Some may go the “do it yourself” route because they cannot afford the expense of hiring a traditional lawyer. Others are comfortable with the increased risk of doing it themselves and believe in the power of algorithms and document automation to produce solutions, without the need for a lawyer.⁹⁴ Do It Yourself law includes Tiny Law, Form Documents, Document Automation (aka Document Assembly), Free Legal, and Online Legal Aid. There are many more specific solutions that would fall within the broader “Do It Yourself” category.

92. See, e.g., AVVO, <http://www.avvo.com/> (last visited Mar. 25, 2016); ZEEKBEEK <http://www.zeekbeek.com/> (last visited Mar. 25, 2016).

93. Basha Rubin, *Legal Tech Startups Have a Short History and a Bright Future*, TECHCRUNCH.COM (Dec. 6, 2014), <http://techcrunch.com/2014/12/06/legal-tech-startups-have-a-short-history-and-a-bright-future/>.

94. Daniel Doktori, *What It Means When Law Firms and Startups Give Away Legal Documents*, TECHCRUNCH (Jan. 10, 2015), <http://techcrunch.com/2015/01/10/documents-just-want-to-be-free/>.

5. *Tiny Law*

“Tiny Law” describes the market for legal services for small transactions, particularly in the freelance, mobile, and sharing economies.⁹⁵ Traditionally lawyers have priced themselves out of this market.⁹⁶

6. *Form Documents*

Form documents have standard clauses with blank spaces to write in content, checkboxes, and lists to select from, among other things. Form documents are offered for a fraction of the cost to hire a lawyer.⁹⁷ Some legal startups use a “freemium” marketing model, offering forms for free and charging for legal advice that the consumer may need down the road.⁹⁸

7. *Document Automation (Assembly)*⁹⁹

Document automation (also known as document assembly) is a process of creating documents with variable information.¹⁰⁰ Documents are often created with the help of expert systems, usually in the form of a series of adaptive questions used to gather information from the user.

8. *Free Legal*

“Free Legal” startups provide legal information, typically legal documents and contracts, free of charge.¹⁰¹ Some use crowdsourcing to cultivate information.¹⁰² Free Legal is distinguished from startups that use a “freemium”

95. Rubin, *supra* note 93.

96. Abe Geiger, the CEO of Shake Law, coined the term “tiny law.” Abe Geiger, *What Is TinyLaw?*, SHAKE (Feb. 18, 2014), <http://www.shakelaw.com/blog/tinylaw/>.

97. *Legal DIY Websites Are No Match for a Pro*, CONSUMER REPORTS (Sept. 2012), <http://www.consumerreports.org/cro/magazine/2012/09/legal-diy-websites-are-no-match-for-a-pro/index.htm>.

98. Doktori, *supra* note 94.

99. RocketLawyer and LegalZoom are commonly referred to startups that provide Document Assembly. ROCKETLAWYER, <https://www.rocketlawyer.com/> (last visited Mar. 25, 2016); LEGALZOOM, <http://www.legalzoom.com/> (last visited Mar. 25, 2016). Many legal startups specialize in this area, *see, e.g.*, CLERKY, <https://www.clerky.com/> (last visited Mar. 25, 2016); VALKU, <https://valcu.co> (last visited Mar. 25, 2016), using document automation for entity formation.

100. Nerino J. Petro Jr., *Document Automation: Using Technology to Improve Your Practice*, 32(5) GPSOLO (Sept./Oct. 2015), http://www.americanbar.org/publications/gp_solo/2015/September-october/document_automation_using_technology_improve_your_practice.html.

101. *See, e.g.*, F.A.Q., DOCRACY, <https://www.docracy.com/application/learnmore> (last visited Mar. 25, 2016).

102. *Overview*, COMMON ACCORD, <http://www.commonaccord.org/> (last visited Mar. 25, 2016).

business model to attract customers to other fee-based services and products.¹⁰³ Startups like Docracy plan to add “premium content” in the future and therefore such startups could be considered long-term freemium models.

9. *Online Legal Aid*¹⁰⁴

Online legal aid consists of legal aid organizations that are delivering services online using methods similar to legal startups in the “do it yourself” category. Online legal aid holds promise for helping solve the access to legal services crisis. On the other hand, lawyers have raised questions about the availability of these resources to clients who have the means to pay something for legal services. Legal startups should be aware of and included in the discussion of this and related issues.

10. *Dispute Avoidance and Management*

“Dispute Avoidance and Management” startups seek to prevent disputes and avoid the complexity, expense, and duration of various court proceedings. Unlike mediation or alternative dispute resolution, which involve judicial fact finding and application of law, Dispute Avoidance and Management provides a solution for managing the underlying circumstances that lead to disputes. For example, a tool to record and share child care expenses such as haircuts and shoes for the purpose of avoiding disputes about these items.¹⁰⁵

11. *Collaborative Law*

Collaborative law is a client-driven process that allows separating and divorcing couples to work with their lawyers and other professionals to try to reach agreements without going to court. Collaborative law can also be used to resolve a broad range of other family issues, such as pre- and post-marital contracts.¹⁰⁶

103. See *What Is Freemium?*, FREEMIUM.ORG, <http://www.freemium.org> (last visited Mar. 28, 2016).

104. See, e.g., MICHIGAN LEGAL HELP, <http://michiganlegalthelp.org/> (last visited Mar. 28, 2016); ILLINOIS LEGAL AID ONLINE, <http://www.illinoislegalaonline.org/> (last visited Mar. 28, 2016).

105. David Zax, *SupportPay Aims to Take Headaches Out of Child Support and Family Finances*, FASTCOMPANY (Feb. 8, 2014, 6:06 AM), <http://www.fastcompany.com/3026511/innovation-agents/supportpay-aims-to-take-headaches-out-of-child-support-and-family-finances>.

106. WEVORCE, www.wevorce.com (last visited Mar. 28, 2016).

12. *Litigation Finance*

Litigation finance (also known as litigation funding) is the practice of third parties unrelated to a lawsuit providing funding to a plaintiff in return for a portion of any final recovery.¹⁰⁷

B. *B2B (Not Including Small Businesses)*

1. *Find a Lawyer*

Various legal startups help businesses find lawyers. Basic services such as Lawyer Marketplace and Ratings startups may serve large businesses, small businesses, and consumers. Additionally, some startups provide lawyer screening and matching services and help assess lawyer quality specifically for businesses.

2. *Lawyer Marketplace and Ratings*

Lawyer Marketplace and Ratings startups provide an Internet database of lawyers and their contact information along with user ratings of the lawyer or law firm. These startups also target consumers.

3. *Lawyer Screening and Matching*

Lawyer Screening and Matching services are similar to their consumer counterparts, but the vetting process and customer interaction is more tailored to businesses.¹⁰⁸

4. *Assessing Lawyer Quality*

These startups develop metrics and gather and analyze data to assess lawyers' performance. These startups are useful not only for deciding whether to hire an attorney or whether the attorney is worth the attorney's rate, but also which attorney to assign to which matter. These startups are beginning to help

107. *What Is Litigation Finance?*, LEXSHARES, https://www.lexshares.com/litigation_finance_101 (last visited Mar. 28, 2016). Startup Mighty Group Inc. has moved into litigation finance through crowdsourcing, though with accredited investors only. See Robert Ambrogi, *Legal Startup "Mighty" Helps Plaintiffs Find Funding for Litigation*, LAW SITES (Sept. 30, 2015), <http://www.lawsitesblog.com/2015/09/legal-startup-mighty-helps-plaintiffs-find-funding-for-litigation.html>.

108. UpCounsel "allows companies to easily find and hire an attorney, which has been vetted." The pricing is transparent and UpCounsel guarantees payment to its lawyers. Tom Taulli, *UpCounsel: The Uber of the Legal Industry?*, FORBES ENTREPRENEURS (Apr. 11, 2014, 2:45 PM), <http://www.forbes.com/sites/tomtaulli/2014/04/11/upcounsel-the-uber-of-the-legal-industry/>.

answer difficult questions about attorney quality and the value of attorneys to their clients.

5. *Managing the Legal Supply Chain*

These startups help businesses manage the legal supply chain generally and may help manage or supply labor. These startups provide billing data analysis, legal temp services and contract lawyers, and legal process outsourcing.

6. *Billing Data Analysis*

Clients have sought more transparency from attorneys for years. And now more than ever, in-house legal teams are under pressure to stay within a budget for outside legal services. Legal startups in this space analyze large amounts of billing data to provide intelligence on hourly rates, the time taken to complete tasks, the average cost for different matters, and other benchmarks. These services are also used to manage ongoing matter budgets and provide a real-time picture of how much has been spent and where resources have been directed.¹⁰⁹

7. *Legal Temp Services and Contract Lawyers*

“Legal Temp Services and Contract Lawyers” startups provide temporary attorneys, paralegals, and legal secretaries for short term employment, often for specific projects that require more staffing than a customer otherwise requires.¹¹⁰

8. *Legal Process Outsourcing (LPO)*

In legal process outsourcing, the work for a matter is disaggregated and components of routine work are sent to LPOs that specialize in handling that work. Typically, paralegals and attorneys licensed in the jurisdictions to where the work is sent (such as India, Chile, Hong Kong, Australia, and Sri Lanka) perform the work.¹¹¹ LPOs have evolved to complete a variety of higher-end and lower-end services, including: secretarial documentation, legal and litigation support services, legal research, legal drafting, intellectual property rights enforcement and registrations, and various document processing activities (e.g., immigration visas, health insurance claims, etc.).¹¹²

109. See, e.g., SKY ANALYTICS, CONSILIO.COM (last visited Mar. 28, 2016); TYMETRIX, TyMetrix.com (last visited Mar. 28, 2016).

110. See, e.g., Richard Granat, *Is Axiom Law a Law Firm?* ELAWYERING BLOG (Apr. 8, 2013), <http://www.elawyeringredux.com/2013/04/articles/outsourcing/is-axiom-law-a-law-firm/>; AXIOM, www.axiom.com (last visited Mar. 28, 2016).

111. Granat, *supra* note 110.

112. *Id.*; see, e.g., ELEVATE, <http://elevateservices.com/> (last visited Mar. 28, 2016) (Elevate provides a suite of legal services beyond legal process outsourcing.).

9. *Dispute Avoidance and Asset Management*

“Dispute Avoidance and Asset Management” startups seek to avoid or mitigate legal liability much like their legal startup counterparts in the consumer space. The legal problems that businesses face, however, are very different from individual consumers, so these startups generally achieve this goal with different products and services.

10. *Compliance*

Compliance is growing in importance and complexity for companies. It is difficult for companies to stay informed of new governing laws and ensure compliance with them. This has created opportunities for legal startups to offer products and services for compliance.¹¹³

11. *Contract Management*

Contract management refers to a company’s management of its contracts with customers, vendors, partners, employees, etc. Contract management includes negotiating contracts, ensuring compliance with contract terms, and documenting modifications to contracts.

12. *Risk Management*

Lawyers are often criticized as being too reactive and focused on cleaning up messes without enough thought given to how to prevent them. Legal startups in the risk management space are beginning to add legal expertise to manage enterprise-wide risk for large businesses, insurers, and re-insurers.¹¹⁴

C. *B2G: Online Dispute Resolution*¹¹⁵

Courts have historically been the forum to settle all legal disputes. Through online dispute resolution, legal startups are hoping to divert certain disputes away from the courts. Some of these same legal startups are working with courts to offer improved dispute resolution systems. Removing some disputes from the courts could make courts more efficient and provide additional time for courts to focus on matters that cannot be resolved online.

113. MEWE, www.mewe.org (last visited Mar. 28, 2016).

114. PRAEDICAT, <http://www.praedicat.com/> (last visited Mar. 28, 2016).

115. *See, e.g.*, MODRIA, <http://modria.com/> (last visited Mar. 28, 2016); MATTERHORN, <http://getmatterhorn.com/> (last visited Mar. 28, 2016).

D. B2L

1. *Lawyer-to-Lawyer Networking and Referrals*

While many B2C and B2B lawyer marketplaces help connect lawyers with clients, some startups help lawyers connect with one another to network, provide referrals, and share work.¹¹⁶

2. *Marketing*

Legal startups are helping law firms market their practices, such as with professional branding, client engagement, and accessibility.¹¹⁷

3. *Traditional Legal Research*

Some legal startups provide traditional research solutions to lawyers online with new pricing models.

4. *Crowdsourcing*

These legal startups are looking to supplant legal research incumbents by crowdsourcing legal documents and annotations.¹¹⁸

5. *Analytics*

Legal startups in this space are using analytics to provide insights about cases and judges and to visualize the research process.¹¹⁹

6. *Legal Education and Training*

Legal study aids, outlines, hornbooks, etc. have long been popular with law students. Various startups are taking this concept a step further by providing online legal education and training services and materials.¹²⁰ While law students are generally the primary target market, various products are also directed to practitioners.¹²¹

116. For example, Acme Law Corp. created an app that helps trial attorneys scheduled to be in two courts at the same time to find another lawyer and pay a fee for the lawyer to “stand in” at another hearing or request a continuance. STANDIN, <http://www.standin.is/> (last visited Mar. 28, 2016).

117. ONE400, <http://www.one-400.com/> (last visited Mar. 28, 2016).

118. CASETEXT, <https://casetext.com/> (last visited Mar. 28, 2016).

119. RAVELLAW, <https://www.ravellaw.com/> (last visited Mar. 28, 2016).

120. QUIMBEE, <https://www.quimbee.com/> (last visited Mar. 28, 2016).

121. PRAKTIO, <http://praktio.com/> (last visited Mar. 28, 2016).

7. *Practice Management and Back Office*

Several legal startups help lawyers manage their practices, from client intake to collecting payment for legal services.¹²² Several offer complete solutions for running a law office. Other legal startups offer finely-tuned solutions for narrower spaces.

8. *Client Intake and Conflicts*

Many law firms use software that facilitates client intake and conflict checks. Legal startups are adding new features, such as analytics to streamline the client intake process with the law firm's practice and operations.¹²³

9. *Time and Billing*

Legal startups are creating tools to make it easier for lawyers to track time, create budgets, and bill clients.

10. *Virtual Legal Team Tools*

Virtual law firms operate without brick-and-mortar offices. Instead, they operate out of employees' homes or other spaces and deliver services using technology to communicate. Startups offer various tools to help lawyers run a virtual law office.¹²⁴

11. *Lawyer Recruiting*

Lawyer recruiting startups specialize in helping law firms and corporate legal departments recruit lawyers. These startups operate more like headhunters than companies that offer contract attorneys and other staffing solutions.¹²⁵

12. *Project Management*

Project management software helps attorneys manage legal matters. Within this space are specialty project management tools, such as software to manage e-discovery projects.¹²⁶

122. *E.g.*, CLIO, <https://www.goclio.com/> (last visited Mar. 28, 2016).

123. ULAW, <http://www.ulawpractice.com/> (last visited Mar. 28, 2016).

124. TOTALATTORNEYS, <http://www.totalattorneys.com/> (last visited Mar. 28, 2016).

125. ESQUIRE RECRUITING, <http://esquirerecruiting.com/> (last visited Mar. 28, 2016).

126. AGILE LAW, <http://www.agilelaw.com/> (last visited Mar. 28, 2016); EDEPOZE, <http://edepoze.com/> (last visited Mar. 28, 2016).

13. Knowledge Management

Knowledge management is a legal organization's ability to capture, organize, and recall who it knows, what it knows, and how it does whatever it does to provide value to its clients.¹²⁷ Some startups specialize in knowledge management for certain practice areas.¹²⁸

14. Document Automation (Assembly)

Document automation (also known as document assembly) was described above as a service provided to clients. Legal startups are also developing tools for lawyers to use document automation in their provision of legal services.

15. Docket Management

Docket management is an important component of many types of legal matters, not only litigation. Legal startups provide solutions to manage dockets for a variety of types of matters. Some legal startups provide tools to layer features on top of Pacer—the tool used to access federal court dockets—and make it easier to use.¹²⁹

16. Outcome Analytics

Startups are using analytics techniques to help counsel make more informed decisions about early case assessments¹³⁰ and settlement negotiations¹³¹ in litigation and to inform strategic decisions for a range of other legal matters. Lawyers often can do no better than rely on intuitions and anecdotes based on small sample sizes. To anecdotes and intuitions, legal startups add data, descriptive statistics, and analytics to help lawyers and their clients make better decisions and optimize outcomes.

17. e-Discovery Solutions

Several legal startups offer technology assisted review (TAR) solutions. Document review analytics tools and service providers use machine learning

127. See Andrew M. Winston, *Law Firm Knowledge Management: A Selected Annotated Bibliography*, 106 LAW LIBRARY J. 175 (Oct. 2014), <http://www.aallnet.org/mm/Publications/llj/LLJ-Archives/Vol-106/no-2/2014-10.pdf> (citing T. du Plessis & A.S.A. du Toit, *Knowledge Management and Legal Practice*, 26 INT'L J. INFO. MGMT. 360, 360 (2006)).

128. CASERAILS, <https://caserails.com/features/> (last visited Mar. 28, 2016).

129. PACERPRO, <https://www.pacerpro.com/> (last visited Mar. 28, 2016).

130. LEX MACHINA, <https://lexmachina.com/> (specializing in providing data about intellectual property and antitrust litigation).

131. PICTURE IT SETTLED, <http://www.pictureitsettled.com/> (last visited Mar. 28, 2016).

techniques to significantly reduce the number of documents that require manual review. Legal startups have also developed website archiving software that allows lawyers and their clients to easily create web page captures that are forensically defensible in court.¹³²

18. *Vendor Marketplaces*

Legal startups are seizing opportunities to create marketplaces from which lawyers may purchase services from vendors. These services will simplify the process of engaging with vendors, introduce transparency, and create competition that will improve quality and reduce costs.¹³³

19. *Trial Tools*

Various startups and new technologies are being used in the courtroom to provide litigators with an advantage. These tools help litigators manage information about jurors and have changed the way evidence is presented.¹³⁴

20. *Transactional Tools*

Just as technology assisted review has been used to streamline e-discovery, it is also being applied to due diligence.¹³⁵ Additionally, contract analytics describes the use of technology to read contracts and assess individual clauses. With a focus on efficiency, certain technologies allow users to quickly review incoming contracts, audit current contracts, and build model form contracts.¹³⁶

IX. WHAT WE NEED TO KNOW ABOUT LEGAL STARTUPS

There is much we do not know about legal startups. What follows are some of the potential subjects for additional data-gathering and research.

132. PAGEVAULT, <https://www.page-vault.com/> (last visited Mar. 28, 2016).

133. CLARILEGAL, <http://clarilegal.com/> (last visited Mar. 28, 2016).

134. C3DE, <http://c3de.net/> (last visited Nov. 23, 2015) (prints 3D models for trial).

135. Kira simplifies review and analysis of complex documents with a combination of the latest computer science and expert human know-how. *Kira*, CRUNCHBASE, <https://www.crunchbase.com/organization/kira> (last visited Mar. 28, 2016). eBrevia “uses machine learning to determine what is relevant to attorneys in contracts. It then extracts this relevant information for review by attorneys.” Ben Kepes, *eBrevia Applies Machine Learning to Contract Review*, FORBES TECH (Feb. 20, 2015, 10:53 AM), <http://www.forbes.com/sites/benkepes/2015/02/20/ebrevia-applies-machine-learning-to-contract-review/>.

136. Two software companies are working on contracts analytics and standardization solutions. See KMSTANDARDS, <http://kmstandards.com/> (last visited Mar. 28, 2016); BEAGLE, <http://beagle.ai/> (last visited Mar. 28, 2016).

A. Who Are the Legal Startups and Who Are Their Customers?

There is much to learn and study about legal startups and the estimated \$400 billion legal industry. For starters, more robust data about the legal industry's size—in terms of revenue and segments, for example—would be very helpful. Among other things, this would help legal startups and others identify market opportunities. Relatedly, contributions to the taxonomy begun in this Paper would help establish a framework for analysis and lead to a common lexicon. The taxonomy would be helpful when producing an inventory of legal startups and the services they provide, which would supplement the study of legal startups. For example, some legal startups have stalled or failed. An organizational structure combined with data on funding, customers, and users would facilitate the study of failure and success.

Similarly, we need to know more about those persons and entities consuming services from legal startups. How many would have sought traditional legal services if they had not received services from a legal startup? How many are “first time” buyers who were previously underserved? What is the overall return to the economy when “first time” buyers receive access to legal services?¹³⁷ The answers to these and related questions would contribute to the discussion about the need for innovation in the legal industry and the costs and benefits of activity in this space. This data and research will help policymakers, regulators, educators, and others identify and analyze problems and potential solutions and make better decisions.

B. How Does the Current Ecosystem Foster Investment in Legal Startups?

We have very little information about investment in legal startups and various efforts to promote their success. For example, how much has been invested in legal startups? Who is investing in legal startups? Knowledge in this area could contribute to encouraging legal-startup activity and additional investment and lead to the development of best practices for legal startups to obtain funding.

Incubator programs for legal startups have been implemented at law schools and other organizations, and legal startups have participated in traditional incubators such as Y Combinator¹³⁸ and MaRS.¹³⁹ Have these programs been

137. During a talk at Michigan State University College of Law on October 28, 2015, Chief Judge of the New York Court of Appeals, Jonathan Lippman, said that the approximate return on investment to the greater economy for access to justice initiatives in New York has been \$10 for each \$1 invested. For example, he said that certain legal services allowed clients to later establish bank accounts and undertake transactions that were previously not possible.

138. See Brescia et al., *supra* note 41.

139. MaRS in Toronto has launched a LegalX cluster. See MARS, LEGALX CLUSTER, <https://www.marsdd.com/our-sectors/information-and-communications-technology/legalx-cluster/> (last visited Mar. 28, 2016).

successful? What would be the return on investment for additional funding of these incubator programs? Should there be incentives for legal startups to enter specific areas of need, such as criminal law? Right now, there is insufficient data and research available to address these questions properly.

Another component of this ecosystem is the increasing number of #LegalHack groups and legal hackathons. Legal hackers groups have sprung up around the globe.¹⁴⁰ These groups aim to build community and explore how innovation and technology can be used to improve access to legal services.¹⁴¹ How are these groups contributing to legal innovation and adoption by the legal industry? In addition to the legal hackathons these groups have conducted, law schools, the American Bar Association, local bar associations, and other organizations have conducted a variety of legal hackathons. How are hackathons contributing to legal innovation and the development of startups?¹⁴² Are legal hackathons a worthwhile investment of time and resources? Can the outcomes from these endeavors be cataloged so that many more can benefit from the experience?

C. What Effect Will Legal Startups Have on Improving Access to Legal Services?

Numerous anecdotes demonstrate the potential for innovation and technology to help improve access to legal services, from the indigent and middle class to businesses that need legal services. Additional data and rigorous studies are needed to show how legal startups can contribute to increasing access to legal services across the legal industry. Relatedly, the possibility that legal startups will fulfill some of the unmet need for legal services will impact other innovations and programs. For example, if the legal market functioned well and legal startups filled some of the need for access to legal services, how would that impact the need for new legal service professional (LSP) regimes, including the need for limited license legal technicians (LLTs) and lay navigators? If legal startups can provide standardized, routine services, does this augment the scope of services that LLTs and lay navigators can provide? Or does it reduce the need for LLTs and lay navigators? Similarly, if the legal market functioned well, would certain work by courts, nonprofits, and legal aid organizations become unnecessary? What would remain to be done? In terms of customers

140. See *Global Chapters*, LEGAL HACKERS, <http://legalhackers.org/people/> (last visited Mar. 28, 2016). In addition to these groups are several other similar organizations. See, e.g., *Chicago Legal Innovation & Technology Meetup*, MEETUP.COM, <http://www.meetup.com/Chicago-Legal-Innovation-and-Technology-Meetup/> (last visited Mar. 28, 2016) [hereinafter *Chicago Meet Up*]; *Detroit Legal Innovation & Technology Meetup*, MEETUP.COM, <http://www.meetup.com/Detroit-Legal-Innovation-and-Technology-Meetup/> (last visited Mar. 28, 2016).

141. See *Chicago Meet Up*, *supra* note 140.

142. See Daniel W. Linna Jr., *LexHacks: Hacking to Improve Legal-Service Delivery*, LAW TECHNOLOGY TODAY (July 6, 2015), <http://www.lawtechnologytoday.org/2015/07/lexhacks-hacking-to-improve-legal-service-delivery/>.

served, what will be the interplay between legal startups and online legal aid organizations? At a time when many organizations are investing time and money in innovation and technology, there is a tremendous need for data and research to analyze these questions.

D. Will Legal Startups Disrupt the Legal Industry?

Many have observed that the legal industry seems ripe for disruption.¹⁴³ Even if disruption as defined by Clayton Christensen¹⁴⁴ does not result, the emergence of legal startups raises many important questions. If traditional legal jobs continue to decline in numbers, to what extent will new opportunities in the legal industry offset these declines? Will lawyer salaries decline due to competition from legal startups? What training will lawyers need to be competent, successful lawyers in the 21st century legal industry? Should law schools train students to build legal startups? How should law school education change to prepare students for 21st legal service delivery?

E. Will Lawyer Marketplaces Introduce Greater Transparency and Move Toward Commercializing Lawyer Ethics?

Legal startups providing lawyer marketplaces and ratings have begun to introduce greater transparency into the process of clients hiring lawyers. Will legal startups help establish measures of lawyer quality, which are largely missing from the industry?¹⁴⁵ Will a better-functioning market for legal service delivery result in the commercialization of lawyer ethics? How will lawyer marketplaces and ratings change the ways that jurisdictions regulate lawyers?

F. How Do We Regulate Legal Startups?

As legal startups earn a greater share of the legal market, there will be more questions about how legal startups should be regulated. Data about legal startups, their customers, and legal startups' practices will inform this inquiry. How do legal startups check for and prevent conflicts of interest? What duties and obligations do legal startups owe to their customers? What confidentiality obligations does a legal startup have? What limits are there to a legal startups' ability to "fire" their customers? What happens after a legal startup fails? What happens to customer data and information? Should there be a registration and regulation regime for legal startups?

143. See Brescia et al., *supra* note 41.

144. CLAYTON M. CHRISTENSEN, *THE INNOVATOR'S DILEMMA: WHEN NEW TECHNOLOGIES CAUSE GREAT FIRMS TO FAIL* (1997).

145. See William H. Simon, *Where Is the "Quality Movement" in Law Practice?*, 2012 WIS. L. REV. 387 (2012).

Jurisdictions' efforts to define and prohibit the unauthorized practice of law will also impact legal startups, as will rules regarding the unbundling of legal services. While these efforts may restrict legal startups' ability to operate, they could also supply certainty that opens up greater opportunities.

Relatedly, if jurisdictions in the United States were to allow Alternative Business Structures (ABS),¹⁴⁶ how would this impact legal startups? Insight may be found in studying legal startups in England and Australia, jurisdictions that have allowed ABSs. This question alone highlights the value of gathering data and studying legal startups outside of the United States. It also raises the question: whether or not ABS rules are adopted in the United States, are ABSs and legal startups in other countries poised to capture a greater share of the U.S. legal market?

146. ABA Commission on Ethics 20/20, *Issues Paper Concerning Alternative Business Structures*, AM. BAR ASS'N (Apr. 5, 2011), http://www.americanbar.org/content/dam/aba/administrative/ethics_2020/abs_issues_paper.authcheckdam.pdf; *Alternative Business Structures Frequently Asked Questions*, NAT'L ORG. OF BARCOUNSEL, <http://www.nobc.org/docs/Global%20Resources/Alternate.Business.Structures.FAQ.Final.pdf> (last visited Mar. 30, 2016); Mari Sako, Said Business School, Univ. of Oxford, *An Overview of Alternative Business Structures in England and Wales*, Presentation at the Georgetown Law Conference (Apr. 24, 2015), <http://www.law.georgetown.edu/academics/centers-institutes/legal-profession/upload/2015-Georgetown-Law-ABS-Sako.pdf>; Laura Snyder, *Does the UK Know Something We Don't About Alternative Business Structures*, A.B.A. J. (Jan. 1, 2015), http://www.abajournal.com/magazine/article/does_the_uk_know_something_we_dont_about_alternative_business_structures.

