



Legal firms are embracing artificial intelligence and machine learning

Man vs bots: Will Hong Kong fully embrace legaltech?

No robot could ever replace a good lawyer, according to our legal experts.

For *Hong Kong Business*' 25 largest law firms, Deacons retained the top spot with 231 legal professionals last year, an 8.5% increase from the 213 legal professionals registered with the firm in 2016. Deacons is followed by Clifford Chance with 199 legal professionals in 2017 at second place and Linklaters with 191 legal professionals registered last year, jumping to third place from being fifth place in 2016. Rounding out the top 5 are Mayer Brown JSM and King & Wood Mallesons which saw their staff pool numbers for 2017 decrease to 186 and 177, respectively. The number of legal professionals for the top 4 and top 5 firms in 2016 were 190 and 184, respectively.

More and more law firms are welcoming the advantages and opportunities that technologies provide to improve their services and products, and this will likely be the trend for most, if not all, legal firms in Hong Kong for the next few years. "Clifford Chance is embracing innovative resources and ways of working to provide the very best combination of people, processes, and technology solutions to deliver

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a service that exceeds evolving client expectations," said **Andrew Beasley**, Continuous Improvement Portfolio Management at Clifford Chance.

Kirsty Dougan, head of Axiom Asia, noted in an article from Asia Law Portal that the rise of legal tech—not just in Hong Kong—will be inevitable and that the evolution is well underway. "Law is currently going through an evolutionary phase—from artisanal to industrial to digital—and law in the future will be tech-enabled, but services-led," she said. This is echoed by Beasley, saying that "We are witnessing a technology revolution that is transforming our client base and our clients' business" which are largely paving the way for the future of the legal sector not just in Hong Kong, but elsewhere in the world.

Scrutinising tech

Sumit Indwar, partner for Linklater's Financial Regulation Group, said that there has been an ever-increasing trend towards both private practitioners and clients being more open to the use of legal tech in the delivery of legal services. "Legal teams within clients, particularly in the

financial services sector, are facing more pressure to demonstrate that legal output is delivered in an efficient way," he said.

Baker McKenzie have been deploying a number of high-tech tools including artificial intelligence and machine learning to improve and process their due diligence, contracts review, and e-discovery activities for more efficiency and organisation. However, **Milton Cheng**, partner at Baker McKenzie Hong Kong, noted that despite the rise in technology and innovation, human interaction and comprehension will remain an integral part of the future of Hong Kong's legal landscape.

"No robot could ever replace a good lawyer. We still need lawyers to meet with clients to understand their business needs and come up with an appropriate strategy and tactical plan," he said. "Ultimately, lawyers who can embrace technology to become more efficient and innovative in their service delivery not only will add value to the law firm itself, but also to its clients."

The rise in technological integration in the legal sector in Hong Kong has been both timely and gradual. King & Wood Mallesons' **Peter Bullock** noted that until recently, the belief has been that technology will have its primary impact on the commodity end of practice.

For example, work being undertaken by legal process outsourcers such as due diligence reviews, discovery, and repetitive document management tasks.

"Our focus has been on investigating the best use cases for new technologies to ensure the best possible results, and we believe we are front-running in this space with artificial intelligence products such as Nakhoda," said Indwar. At the same time, such technology will enable our lawyers to have more time to focus on the parts of the work which require specialised judgement, bespoke analysis, and advice based on experience."

However, with sufficient scrutiny, there are caveats on

Salary Expectations - Legal & Compliance

Role	PERMANENT SALARY PER ANNUM (HKD '000)					
	1-2 YRS EXP		3-7 YRS EXP		8+ YRS EXP	
	2016	2017	2016	2017	2016	2017
Legal						
In-house Commercial & Industry	500 - 950k	600k - 1.0m	700k - 1.5m	800k - 1.5m	1.3 - 2.0m	1.4 - 2.0m
In-house Financial Services	550k - 1.0m	650k - 1.1m	700k - 1.5m	1.2 - 1.8m	1.4 - 2.0m	1.5 - 2.0m
QDA/Negotiator	450 - 750k	480 - 750k	600k - 1.2m	700k - 1.2m	900k - 1.5m	1.0 - 1.5m
Private Practice - US Firms	1.8 - 1.9m	1.95 - 1.85m	2.5 - 2.3m	1.8 - 2.35m	3.0 - 2.5m	2.0 - 2.5m
Private Practice - International	750k - 1.35m	850k - 1.4m	1.15 - 2.0m	1.2 - 2.0m	1.4 - 2.0m	1.5 - 2.0m
Paralegal	320 - 450k	350 - 480k	300 - 550k	400 - 600k	500 - 750k	550 - 750k
<i>e/f = BNA estimate/forecast</i>						
Compliance						
Anti-Money Laundering	300 - 400k	300 - 400k	420 - 750k	420 - 800k	600k - 1.8m	900k - 2.0m
Food Office	320 - 480k	330 - 500k	500 - 850k	500 - 900k	900k - 2.0m	1.0 - 2.0m
General Compliance	300 - 400k	300 - 400k	400 - 750k	420 - 800k	600k - 1.8m	900k - 1.8m
Insurance/Security Firms	310 - 390k	300 - 400k	390 - 700k	400 - 700k	750k - 1.5m	800k - 1.5m

Source: Robert Walters Salary Survey 2017

the usage of technology in the legal industry. Bullock noted that perhaps the greatest area of concern is maintaining the confidentiality of client materials, and compliance with privacy laws.

Caveats on tech usage

“This can be as simple as being sensitive to avoiding overuse of social media platforms for client communications,” he said. “Like most multi-jurisdictional regulated businesses, international law firms need to grapple with the movement of personal data of clients and employees.”

Hayden Flinn, co-chief executive of King & Wood Mallesons Hong Kong, noted that with the Belt and Road Initiative from the Chinese government, more investments across the entire spectrum of the foreign policy can be expected, particularly in financing, corporate, investment funding, infrastructure, and construction. “The legal and operational risks that may arise in reaching these markets may bring opportunities for litigation and international arbitration to control risks and avoid disputes, and so much more in the year ahead,” he said.

This sentiment is noted by Cheng, saying that his firm’s Belt and Road report predicts that China-linked Belt and Road projects will be worth US\$350b over the coming five years. “Lawyers with strong mergers and acquisitions and project financing capabilities are likely to be in hot demand,” he explained. “Same can be said for experienced lawyers in the areas of anti-trust/competition, compliance, regulatory, employment,

and tax—issues that Chinese companies are likely to face in their efforts to go global.”

Another is the increasing importance and significance of the fintech industry, with the rise of online banking, digital payments, and virtual currencies or cryptocurrencies but also in fundraising for startups.

Flinn added that the Hong Kong Exchange’s plan for a third board targeting “new economy” companies, including both tech startups and mega-firms, Hong Kong listings for Chinese fintech companies (online peer-to-peer platforms) should be noted.

Broad outlook

In terms of broad outlook for the next 12 months, Flinn noted that Hong Kong will remain one of the Asia-Pacific region’s biggest legal tech hub, but the territory should make sure that the potential gains

The greatest area of concern is maintaining the confidentiality of client materials, and compliance with privacy laws.



from strengthening transactions with mainland China, as well as with the fintech industry, are crucial.

“Hong Kong is still the gateway to China and much activity is generated through Hong Kong’s close connection with the mainland,” he said, adding that the city’s well-developed capital markets and strong legal, regulatory, and financial regimes provide an ideal backdrop for expansion of Chinese entities.

For McCormack, 2018 would see an exceptionally strong pipeline of work for the legal tech industry, particularly on digital payments and cryptocurrency, AI solutions, and cybersecurity, to name a few.

“Law firms have no choice but to adapt, to ensure that they can add value to the ‘new economy,’” she said. “This often requires innovative pricing solutions for startup clients, as well as pushing the boundaries to apply the law to very different models. Sustainability and success in this space also require being part of the solution, which involves becoming good strategists, risk managers, and helping develop new regulation.”

For Indwar, legal tech adoption is not any more an option, but a requirement. “Adoption of legal tech will soon become a necessity rather than simply a nice-to-have. We expect to see an increasing awareness of and willingness to use new technologies both in private practice and on the client side and we hope [to see] lots of very interesting use cases for legal tech,” he noted.



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