

FT NORTH AMERICA INNOVATIVE LAWYERS 2018



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Top legal practices face up to 'do or die' tech challenge

Well-known firms trade on their names, but pressure for change is growing

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North America's legal market remains a paradox. It is home to some of the best lawyers in the world. Yet many of its law firms, particularly the so-called elite tier, have been slow to adapt to change, either in terms of technology or in their dealings with clients. The convention of the billable hour, for example, has a stronger hold in the US than in any other developed legal market in the world.

Even elite firms are starting to look ever more like King Canute, however, doomed in their attempts to ignore an incoming tide of technological innovation. The number of firms that can say their work is purely "advisory" rather than being open to standardisation or process improvements is small. But with stellar reputations and institutional names, this small group still wins the juiciest

mandates in litigation and M&A work for the top clients.

This means, however, that they grow in profitability but not size. For the rest of the market, change is inexorable. Some sizeable and credible well-known firms are embracing it: Orrick, Reed

Firms are thinking differently about clients' needs, embracing technology and heeding the demands of millennials

Smith, WilmerHale and Hogan Lovells to name a few.

While they have significant advisory

businesses similar to those of the elite US law firms, they recognise that some aspects of their work can be done better by taking a sharper approach to project management, resourcing and technology. Many of these firms have developed their own proprietary technology. These include Reed Smith and its "quick" pricing tool, which allows it to create transparent pricing arrangements so that clients have predictability and can track costs and lawyers can actively manage their budgets.

Hogan Lovells has tacitly recognised the difference between work that falls into the premier advisory category, drawing on senior lawyers' expertise, and work that involves armies of lawyers, where a significant amount of due diligence is required. It calls the first category of work "fast" and the second "slow", in an attempt to institutionalise the firm's approach to handling different types of instructions more appropriately.

The business of law section in this year's FT report on North America's innovative lawyers reflects a step change in the legal profession from 2017. There is a greater commitment to thinking differently about clients' needs, embedding technology into legal processes and heeding the demands of millennials. The influence of the younger generation of lawyers in driving these changes cannot be understated.

Weil, Gotshal & Manges, for example, has shortened its career track to partner by two years in consultation with its mid-level associates. Young lawyers now have more clarity about their career paths. Another firm, Paul Hastings, has

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clearly defined offerings that can be delivered like other products and do not involve human interaction. The law firm Davis Polk has created Cyber Portal, which enables companies to know their disclosure obligations across US states immediately in the event of a breach.

The largest law firm by revenue and in the top quartile by profits, and the latest challenger to the traditional group of elite law firms, is Kirkland & Ellis. With revenues of \$3.2bn, it became the world's biggest by turnover this year. The company, founded in Chicago, has focused on private equity work and is one of the first of the leading firms to make a concerted effort to eschew paper and digitise all of its historical paper files by 2020.

This year, we have split the overall rankings table to show those firms that

are forging ahead in the way in which they run their organisations – the business of law – and those that are still predominantly known for premium advisory work – their legal expertise.

In first position in the latter category this year is Cravath, Swaine & Moore. It stood out for its persistence and ability to help define industries. Although it does not appear in the business of law rankings, the firm has hired two legal engineers and is investing in machine learning technologies.

In the business of law section, McGuireWoods, a full-service firm that originated in Virginia, is exploring different advisory roles. It stood out for its work in acting as a connecting agent between independent sponsors and target companies (a rare role for law firms) and for its fresh approach

to business development by providing one-day free trial consulting from its top litigators for free.

The best performer overall in the FT report, however, taking into account all of the ranking categories, is Orrick. The firm, which has its headquarters in San Francisco, continues to push forward in combining lawyers, processes and technology. This was most evident in its work for Microsoft in a major class action discrimination case. The software company has said that it wants its external law firms to stop billing by the hour: Orrick's resourcing approach combined with its use of proprietary CaseStream technology is going a long way to help Microsoft to achieve that goal.

Data, knowledge and intelligence

Law firms and legal service providers

Highly commended

	Originality	Leadership	Impact	Total
Kirkland & Ellis: Implemented a plan to eliminate offsite storage of files, digitising all records. As well as cost and time savings in locating records, data is more secure and easy to manage under the firm's data protection policy.	8	8	7	23

Rule of law and access to justice

Law firm, company or organisation

Standout

	Originality	Leadership	Impact	Total
Kirkland & Ellis and Lambda Legal: Successfully challenged the Trump administration's ban on transgender individuals serving in the military. The firm established that gender identity is immutable and bears no relation to an individual's ability to contribute to society, rather than tying gender discrimination to sex discrimination. The court ruled that the highest standard of judicial review, known as "strict scrutiny", must be applied in gender discrimination cases, meaning a policy must serve a compelling government interest to be upheld.	8	9	8	25

Creating a new standard

Law firm

Commended

	Originality	Leadership	Impact	Total
Kirkland & Ellis: Conducted an outreach programme to Toys R Us landlords during Chapter 11 proceedings that bought them extra time to determine accurately the value of their leases and keep locations open during the lucrative holiday season.	6	7	6	19

Accessing new markets and capital

Law firm

Commended

	Originality	Leadership	Impact	Total
Kirkland & Ellis: Developed an investment framework with General Motors for a \$2.25bn investment from SoftBank, the Japanese conglomerate, into its self-driving car venture, Cruise. The firm navigated the complex and evolving regulations of the autonomous vehicles industry.	6	7	6	19