

Recht im digitalen Zeitalter

Festgabe Schweizerischer Juristentag 2015 in St. Gallen



# Recht im digitalen Zeitalter

**Festgabe Schweizerischer Juristentag 2015  
in St. Gallen**

Herausgegeben im Auftrag der Rechtswissenschaftlichen Abteilung  
der Universität St. Gallen von

Lukas Gschwend  
Peter Hettich  
Markus Müller-Chen  
Benjamin Schindler  
Isabelle Wildhaber



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# Vorwort

Dem Schweizerischen Juristenverein kommt das Verdienst zu, seit über 150 Jahren mit dem jährlich stattfindenden Juristentag aktuelle juristische Fragestellungen von grundlegender Bedeutung aufzugreifen und zu vertiefen. Wird der Juristentag in einer Universitätsstadt durchgeführt, so gehört es zur schönen Tradition, dass die jeweilige juristische Fakultät als Willkommensgruss eine Festschrift überreicht. Die vergleichsweise junge Rechtswissenschaftliche Abteilung der Universität St. Gallen wünscht dem Juristenverein, dass die älteste Bücherstadt der Schweiz der richtige Ort sei, um die Herausforderungen der Digitalisierung für das Recht in anregender Atmosphäre zu diskutieren.

Im Versuch der Regelung von Lebenssachverhalten formt das Recht seit jeher Institute aus, von denen es wiederum rückkoppelnd beeinflusst wird. Nicht unvermutet verändert das Recht daher die sich durch Digitalisierung kontinuierlich transformierende Realität, kann sich selbst der Digitalisierung aber auch nicht entziehen. Die Digitalisierung verändert dabei nicht nur die Formen des Rechtsverkehrs, sondern die Substanz des Rechts an sich. Betroffen von Digitalisierungsvorgängen sind damit neben dem materiellen Recht und dem Verfahrensrecht auch die Arbeit des Rechtsforschers und Rechtspraktikers sowie die rechtswissenschaftliche Ausbildung. Als Lebensvorgang perforiert und überwindet die Digitalisierung dogmatische Grenzen, was die aus verschiedensten Rechtsgebieten stammenden Beiträge dieser Festschrift deutlich veranschaulichen. Gleichsam stehen diese Beiträge auch für die Diversität der Dozierenden der Rechtswissenschaftlichen Abteilung der Universität St. Gallen und die Vielfalt ihrer Forschungsfragen.

Die vielen facettenreichen Beiträge haben der Herausgeberschaft die Festlegung einer systematischen Ordnung nicht leicht gemacht. Sie hat sich schliesslich für eine Reihung der Beiträge nach Rechtsgebieten entschieden, im Wissen darum, dass diese Ordnung weder die perfekte noch einzig mögliche darstellt.

Die Rechtswissenschaftliche Abteilung ist allen, die einen Beitrag zu dieser Festgabe geleistet haben und damit ihre Verbundenheit mit der Universität St. Gallen zum Ausdruck bringen, zu grossem Dank verpflichtet.

Gedankt sei an dieser Stelle besonders Frau Fiona Savary, die im Bereich des Informationsrechts promovieren wird und diese Festgabe daher kompetent betreuen konnte. Frau Anita Samyn hat vor allem zu Beginn das Projekt koordiniert und so zu dessen erfolgreichem Abschluss beigetragen. Die an ihn gestellten, hohen Erwartungen vollumfänglich erfüllt hat auch Bénon Eugster vom Dike Verlag, der für die Druck-

legung und rechtzeitige Fertigstellung der Festgabe besorgt war. Danken möchten wir sodann dem Rektorat der Universität St. Gallen für die grosszügige finanzielle Unterstützung dieses Projekts.

St. Gallen, im Juni 2015

Für die Rechtswissenschaftliche Abteilung der Universität St. Gallen

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# Inhaltsverzeichnis

Verzeichnis der Autoren	XIII
<i>Lukas Gschwend / Roland Kley</i>	1
<b>Rechtswissenschaft an der Universität St. Gallen</b> Von den Anfängen bis heute	
<b>Grundlagen</b>	
<i>Herbert Burkert / Peter Hettich / Florent Thouvenin</i>	49
<b>Eine kritische Geschichte des Informationsrechts</b> Erlebte, bevorstehende und versäumte Paradigmenwechsel	
<i>Jacqueline Gasser-Beck / Vito Roberto / Roman Schister</i>	73
<b>Rechtswissenschaftliche Lehre im digitalen Zeitalter</b>	
<i>Urs Gasser / Jens Drolshammer</i>	83
<b>The Brave New World of (Swiss) Law</b> Contours of a Framework and Call for a Strategy to Shape Law's Digital Revolution	
<i>Alois Riklin</i>	107
<b>Demokratische Erfindungen</b>	
<i>Matthias Schwaibold</i>	119
<b>Geschichtskorrektur</b> Allmachtsansprüche des Rechts der Gegenwart	
<i>Caroline Walser Kessel</i>	145
<b>Visualisierung des Rechts im digitalen Zeitalter</b> Wie Kinder und Jugendliche zu Rechtsinformationen gelangen	

## **Wirtschaftsrecht**

*Urs Bertschinger* 167

### **Aktienrecht im digitalen Zeitalter**

*Sabine Kilgus* 203

### **IT: Das immer wieder neue Risiko im Finanzmarktrecht**

Dimensionen der digitalen Revolution

*Brigitta Kratz* 225

### **Die Energiewirtschaft wird digital**

Überlegungen zu Smart Grids aus regulatorischer Sicht

*Roland Müller* 249

### **Verwaltungsrat im digitalen Zeitalter**

*Fiona Savary* 273

### **Regulierung von Internetplattformen**

Anwendbarkeit und Grenzen heutiger Regulierungsansätze

*Leo Staub* 293

### **Disruptive Technologies Call for New Business Models in the Market for Legal Services**

*Thomas Werlen / Jonas Hertner* 315

### **Crowdfunding nach Schweizer Art**

Rückbesinnung auf die Prinzipien der Kapitalmarktregulierung

## **Vertragsrecht**

*Andreas Furrer* 333

### **Auf dem Weg zu elektronischen Wertpapieren**

Stand der Entwicklung in den einzelnen Transportmodalitäten

*Thomas Geiser* 373

### **Darf die Arbeitgeberin den Bewerber googeln?**

*Caroline Kirchschräger* 387

**Zumutbare Kenntnisnahme von Online-AGB**

Reflexionen ausgehend von BGE 139 III 345 ff.

*Isabelle Wildhaber / Silvio Hänsenberger* 399

**Kündigung wegen Nutzung von Social Media**

Wenn Arbeit und Privatleben kollidieren

**Internationales, europäisches und transnationales Recht**

*Patricia Egli* 433

**Informationsfreiheit und Privatsphäre**

Unter besonderer Berücksichtigung der Tromsø-Konvention des Europarates über den Zugang zu amtlichen Dokumenten

*Bardo Fassbender* 449

**Heinrich Triepel und die Anfänge der dualistischen Sicht von «Völkerrecht und Landesrecht» im späten 19. Jahrhundert**

*Myriam Senn* 471

**Digitales Recht zwischen privatem und staatlichem Recht**

*Franz Zeller* 483

**Wegweiser im digitalen Dickicht?**

Strassburger Vorgaben zur öffentlichen Online-Kommunikation

**Öffentliches Recht**

*Ulrich Cavelti* 509

**Von der Weihnachtsgeschichte zu den E-Taxes – eine Zeitreise der Steuererklärung**

*Christoph Errass* 521

**Internetbasierte Chemikalienwissensdistribution im Rahmen der REACH-Verordnung**

*Lucien Müller* 541

**«Eigenverantwortung» am Beispiel der privaten Internetnutzung**

Verfassungsrechtliche Aspekte

*Raoul Stocker* 571

**Herausforderungen bei der Gewinnbesteuerung von Unternehmen in der digitalen Wirtschaft**

*Jan Scheffler / Benedikt van Spyk* 587

**Rechtsverbindliche Publikation von Erlassen im Internet**

Grundlagen und aktuelle Entwicklungen

**Strafrecht**

*Marc Forster* 615

**Marksteine der Bundesgerichtspraxis zur strafprozessualen Überwachung des digitalen Fernmeldeverkehrs**

Probleme der grenzüberschreitenden Strafverfolgung bei Delikten über soziale Netzwerke und den mobilen Internetverkehr

*Thomas Hansjakob* 637

**Einsatz von GovWare in der Strafverfolgung**

Zu Notwendigkeit und Anwendungsbereich von Art. 269<sup>ter</sup> StPO

*Othmar Strasser* 653

**Elektronische Aktenevidenz von Banken an Strafuntersuchungsbehörden**

**Verfahrens- und Gerichtsorganisationsrecht**

*Beat Brändli* 685

**Digitale Revolution und die einhergehende prozessuale Beweisproblematik**

<i>Martin Kaufmann</i>	703
<b>E-Evidence in der Schweiz</b>	
Ein US-amerikanischer Fall, übertragen auf schweizerische Verhältnisse	
<i>Tabea Lorenz / Markus Müller-Chen</i>	725
<b>Per Mausclick zum Gerichtsstand</b>	
Gerichtsstandsvereinbarungen im grenzüberschreitenden elektronischen Geschäftsverkehr	
<i>Benjamin Schindler</i>	741
<b>Justizöffentlichkeit im digitalen Zeitalter</b>	
<i>Meinrad Vetter / Daniel Peyer</i>	759
<b>Bekannte Tatsachen – unter besonderer Berücksichtigung des Internets</b>	
Eine zivilprozessuale Analyse	



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# Disruptive Technologies Call for New Business Models in the Market for Legal Services

LEO STAUB

## Content

I.	Introduction	293
II.	Trends in the Market for Legal Services	294
	1. Globalization	294
	2. Shift in Market Power	294
	3. Disaggregation of Legal Services	296
	4. Generation Y	297
III.	New Technologies as Drivers of Change in the Law Firm Business	299
	1. Communication	299
	2. Research	300
	3. Big Data	301
	4. Document Management	301
IV.	Impact of Disruptive Technologies on the Law Firm Business Model	302
	1. Technology and Strategy	303
	2. Technology and Business Processes	304
	3. Technology and Support Systems	305
V.	New Outline of the Market Structure in the Law Firm Business	306
	1. Global and National Champions	307
	2. International Business Law Firms	308
	3. Corporate Legal Housekeepers	309
	4. Commodity Legal Services Providers	311
	5. Category Killers	312
	6. Boutiques	313
VI.	Summary	314

## I. Introduction

Experts and practitioners agree on the notion that law firm business is currently undergoing fundamental change. This short essay strives to elaborate on the rationale of change and its drivers. It also tries to describe the impact of recent and future developments on market structures and business models in the law firm industry.

The essay intends to encourage lawyers to start to re-think law firm strategies and in doing so, to prepare for change. Obviously, many of the thoughts presented here are the result of looking into a crystal ball as opposed to being rocket science.

## II. Trends in the Market for Legal Services

### 1. Globalization

The past three decades stand for the rise of globalization in almost all industries. Hardly any market could resist the trend that trade has become a global phenomenon. These days it is not only large corporations that are active around the world. Significant differences in labour costs, the ubiquitous availability of capital, technology transfer, liberalised trade regulations, and more efficient means of transport have led to fragmented value chains where firms and people in different countries contribute to products and services worldwide. Many of these suppliers are small and medium-sized enterprises (SME). When seeking legal advice, these SMEs turn to local lawyers. Consequently, today not only big, international law firms have to deal with international legal problems, but also local lawyers specialising in business law.<sup>1</sup>

### 2. Shift in Market Power

Until recently, the market for legal services was a perfect example of a most appropriate application of the principal-agent theorem. The theorem describes the relationship between the principal (the client) and the agent (the lawyer) as being dominated by asymmetric information. When asked for his services, the lawyer typically has more expertise than the client. Conflicting interests of the parties can cause moral hazard.

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<sup>1</sup> CHAIN JULIA/BRUCH NICHOLAS, Trends in the Global Legal Services Market, in: Leo Staub/Christine Hehli Hidber (Eds), *Management von Anwaltskanzleien [Management of law firms]*, Zurich 2012, pp. 943; MORGAN THOMAS D., The Rise of Institutional Law, in: *Hofstra Law Review*, Vol. 40 2012, p. 1008; TERRY LAUREL S./MARK STEVE/GORDON TAHLIA, Trends and Challenges in Lawyer Regulation – The Impact of Globalization and Technology, in: *Fordham Law Review*, Vol. 80 2011-2012, pp. 2661; HUGHES BRYAN, The impact of the financial crisis, in: *The International Bar Association (ed.), The Business of Law*, London 2012, p. 47; SEGAL-HORN SUSAN/DEAN ALISON, The rise of super-elite law firms – towards global strategies, in: *The Service Industries Journal*, Vol. 31 No. 2 Jan. 2011, pp. 195; RIBSTEIN LARRY E., The Death of Big Law, in: *Wisconsin Law Review* 2010, Vol. 3, pp. 765; HOMMERICH CHRISTOPH, Mit Strategie zum Erfolg – Anwaltskanzleien im Wettbewerb [Success through Strategy – Law Firms in Competition], in: *Anwalt [The Lawyer]*, April 2001, p. 28; DROLSHAMMER JENS, Internationalisierung der Rechtsausbildung und Forschung – eine Agenda für die interdisziplinär ausgerichtete Ausbildung zum in Wirtschaft und Management tätigen International Lawyer [The Internationalization of Legal Education and Research – an Agenda for Interdisciplinary Training for International Lawyers working in Business and Management], Basel 2000, pp. 13; FLOOD JOHN, The Re-landscaping of the Legal Profession – Large Law Firms and Professional Re-regulation, in: *Current Sociology*, Vol. 59 Issue 4 2011, pp. 507 emphasizes that international law firms have also contributed significantly to creating legal infrastructure models to globalize their corporate clients.

So in the past, due to big gaps in expertise between lawyers and clients, lawyers' fees were hardly discussed, and hourly rates for their services just as little.<sup>2</sup>

That has changed! Growing competition among lawyers has led to enormous pressure on fees.<sup>3</sup> Where does this fierce competition come from? In the field of business law, clients have started to build up their own, often highly productive competence centres in legal and compliance services.<sup>4</sup> Also, in many markets the number of lawyers has grown faster than the demand for legal services, the latter primarily caused by increasing regulation. Furthermore, the degree of transparency in a market for business law services seems to foster competition.<sup>5</sup>

As a result, relationships between lawyers and clients have become more unstable lately. It is no longer about quality and the old boy network establishing long-lasting business partnerships. When clients choose their lawyers in a particular case amongst a selection of fine law firms, they assume quality work as given. It is the fee that makes the difference! Additionally, many clients have started to make use of their

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<sup>2</sup> BOULDEN SARAH, *The Business of Startup Law – Alternative Fee Arrangements and Agency Costs in Entrepreneurial Law*, in: *Journal on Telecommunications & High Technology Law*, Vol. 11 2013, pp. 279; LANCASTER RYON/UZZI BRIAN, *Legally Charged – Embeddedness and Profit in Large Law Firm Legal Billings*, in: *Sociological Focus* 45, no. 1 2012, pp. 1 also show that customer focus, customer loyalty and the status of the law firm have a notable influence on the value of its work for the client and thus on its fee. Another interesting view – and one that puts the principal-agent theory into perspective – is offered by PEARCE RUSSELL G./WALD ELI, *The Relational Infrastructure of Law Firm Culture and Regulation – The Exaggerated Death of Big Law*, in: *HOFSTRA Law Review*, Vol. 42 2013, pp. 10; these authors take the following view: «Lawyers and clients, when given the opportunity, prefer relational self-interest – the view that all actors are inter-connected, whether as individuals or in groups and cannot maximize their own good in isolation. Rather, maximizing the good of the individual or group requires consideration of the good of the neighbour, and of the public.»

<sup>3</sup> CHAIN/BRUCH (Fn. 1), p. 949; RIBSTEIN (Fn. 1), p. 770.

<sup>4</sup> RIBSTEIN LARRY E., *Delayering the Corporation*, in: *Wisconsin Law Review*, Vol. 5 2012, pp. 305; TROTTER MICHAEL H., *Declining Prospects – How extraordinary Competition and Compensation are changing America's major Law Firms*, Atlanta 2012, pp. 125; RIBSTEIN (Fn. 1), pp. 760; HEINEMAN BEN, *The General Counsel as Lawyer-Statesman – A US Perspective*, in: Sylvie Hambloch-Gesinn et al. (eds.), *In-house Counsel in internationalen Unternehmen [In-house Counsel in International Companies]*, Basel 2010, p. 29.

<sup>5</sup> While in the U.S. (e.g. *The American Lawyer*), the UK (e.g. *Legal World*) and Germany (e.g. *Juve*) specialised journals provide quite accurate information on the cost, price and profit structure of law firms, respective information in other countries (e.g. Switzerland, France) is poor. This comes as no surprise, the US, the UK and Germany are markets where competition is particularly intense. Cf. also HARPER STEVEN J., *The Lawyer Bubble – a Profession in Crisis*, Philadelphia 2013, p. 15; DILOFF NEIL J., *The Changing Cultures and Economics of Large Law Firm Practice and Their Impact on Legal Education*, in: *Maryland Law Review*, Vol. 70, Issue 2 2011, p. 358.

procurement department in order to hire law firms. That has proven to be a very efficient tool for large corporate clients to cut legal fees.<sup>6</sup>

Also, corporate clients have increasingly begun to ask their lawyers for fixed fee offers. This has caused a dilemma at many law firms. They were, and still are, simply not able to solidly calculate such fees. Decades of billing hourly fees with no incentive to work efficiently<sup>7</sup> have led to complacency now that law firms are confronted with the request for alternative fee models.<sup>8</sup>

Even in cases where hourly fees are accepted, corporate clients often express their unwillingness to pay for first year associates. Hence, law firms are stuck with high salary costs for talents and no chance to bill for their efforts.

### 3. Disaggregation of Legal Services

While globalization and shifts in market power have been here for quite a while «disaggregation of legal services» is rather new.<sup>9</sup> In making the effort to reduce legal fees, clients as well as law firms maximized their negotiation scope. Based on traditional paradigms for collaboration between corporate clients and business lawyers, both parties made concessions. Clients realized that law firms had to generate sufficient revenues in order to guarantee the high quality and reliability of their legal advice. Lawyers, on the other hand, were willing to talk about discounts on hourly rates or to discuss fixed fees.

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<sup>6</sup> STAUB LEO, *An American View on Developments in the Law Firm Business*, in: *GesKR 2/2013*, pp. 175; HODGES SILVIA, *Interview*, 24.4.2013, retrievable at <<http://www.lam.unisg.ch/kamingespraechen.php>>, visited on 22.1.2015.

<sup>7</sup> PARKER CHRISTINE/RUSCHENA DAVID, *The Pressures of Billable Hours – Lessons from a Survey of Billing Practices Inside Law Firms*, in: *University of St. Thomas Law Review*, Vol. 9 Issue 2 2011, pp. 619. Cf. also KUO CHRIS, *Billing Abuses by the Experts – A Game-Theoretic Analysis of Legal Services*, in: *Journal of Economics and Management*, Vol. 9 Issue 1 2013, pp. 13.

<sup>8</sup> WOLF MARK/NOTESTINE KERRY, *Controlling Outside Counsel Costs through an Alternative Billing Model*, in: *ACC Docket*, May 2008, pp. 70.

<sup>9</sup> CHRISTENSEN CLAYTON M./WANG DINA/VAN BEVER DEREK, *Consulting on the Cusp of Disruption*, in: *Harvard Business Review*, Vol. 91 Issue 10 Oct. 2013, pp. 109; BURK BERNARD A./MCGOWAN, *Big but Brittle – Economic Perspectives on the Future of the Law Firm in the New Economy*, in: *Columbia Business Law Review*, 2011, pp. 93; REGAN MILTON C./HEENAN PALMER T., *Supply Chains and Porous Boundaries – The Disaggregation of Legal Services*, in: *Georgetown Business, Economics and Regulatory Law Research Paper No. 11–04*, 2010, pp. 2136; HEINZ JOHN P., *When Law Firms Fail*, in: *Suffolk University Law Review*, Vol. XLIII 67/2009, p. 75; SAKO MARI, *Global Strategies in the Legal Services Marketplace – Institutional Impacts on Value Chain Dynamics*, in: Paper presented at the annual meeting of the SASE Annual Conference, Sciences Po, Paris 16.07.2009.

In the course of the financial crisis it became obvious that these efforts were not sufficient.<sup>10</sup> Clients were forced to further, and often dramatically, reduce legal costs. New providers<sup>11</sup> jumped in and offered certain legal services for much less money than traditional law firms. They limited themselves to services that did not require the high-end knowledge of educated lawyers, like due diligence services, document research or contract management,<sup>12</sup> and could therefore be offered for less money than law firms would charge. What they did was to split legal services, for instance for corporate transactions, into fractions and focus on those sections that could be done by using less expensive resources.<sup>13</sup> The method of «disaggregating legal services» was born!

Law firms used to providing all legal services connected to a single transaction were all of a sudden confronted with clients who instructed them to use one of these new legal services providers for parts of the task. In some cases they were informed that the mandate to the law firm excluded portions of the process and was restricted to just the «high-end» pieces of work. This not only caused a cut in revenues for the law firm, but also led to a classic dilemma: how should the law firm position itself as an expert organization clearly differentiating itself from new legal services providers, and at the same time being able to train young lawyers by dedicating «low-end» work to them during their first years at the firm?

#### 4. Generation Y

The so-called Generation Y, born after 1979,<sup>14</sup> has arrived on the doorstep to partnership in law firms. These young people are the next generation's partner aspirants

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<sup>10</sup> HUGHES (Fn. 1), p. 47.

<sup>11</sup> Later on called «Commodity Legal Services Providers», cf. Chapter V.4.

<sup>12</sup> LACITY MARY/WILLCOCKS LESLIE, Legal Process Outsourcing – LPO Provider Landscape, in: The Outsourcing Unit Research Working Paper Series, September 2012, retrievable at <<http://www.outsourcingunit.org/publications/LPOprovider.pdf>>, p. 10, visited on 16.5.2014; also cf. RIBSTEIN (Fn. 4), pp. 313; STANFIELD KATE, Business Process Outsourcing and Legal Library Services – The Integreon Model – One Year On, in: Legal Information Management, 12 (2012), pp. 12.

<sup>13</sup> CHAIN JULIA, Interview 4.6.2013, retrievable on <<http://www.lam.unisg.ch/kamingespraech.php>>, visited on 22.1.2015; ERTEL DANNY/GORDON MARK, Points of contact Unbundling of Corporate Legal Services to Unlock Value, in: Harvard Business Review, Issue July-August 2012, pp. 126; TROTTER (Fn. 4), pp. 145; HARPER (Fn. 5), p. 191; RIBSTEIN (Fn. 1), p. 778; PEARCE/WALD (Fn. 2), p. 141.

<sup>14</sup> HEIDBRINK, MARCUS, Leadership in einer Anwaltskanzlei: Anspruch und Herausforderung, in: Leo Staub/Christine Hehli Hidber, Management von Anwaltskanzleien [Management of law firms], Zürich 2012, p. 449.

but they differ in a few highly relevant aspects from present partners. This has some potential for conflicts!

First, Generation Y is identified as being very individualistic.<sup>15</sup> These young people consequently follow their own perception of life with regard to private as well as to professional aspects. Individual work-life balance is important to them.<sup>16</sup> And, they want to do meaningful work as opposed to simply undertaking money driven activities.<sup>17</sup> Second, the young people of Generation Y wish to have options in decision-making situations.<sup>18</sup> They are not keen to just follow a given track laid out before them. Generation Y wants to weigh a possible partner career against working in an in-house legal department, staying with the law firm as an employee, joining a public service or doing something entirely different. Accepting a partner position offered to them is therefore not at all a no-brainer. Finally, Generation Y is considered to be free-spirited in the sense that tradition is not the relevant reference point when it comes to career decisions.<sup>19</sup> Rather, references are found in peer groups. However, these peer groups are very individualistic in their own way and can hardly be categorized.

Where is the problem? A universe like the law firm industry relies on the famous pyramid: there is a group of partners, each of them leading a team of associates. The revenues generated by the associates significantly contribute to the partners' profits. Success is based on the law firm's ability to attract and recruit the best talents, keep them for 5 to 7 years, and then either promote them to partners or make them leave the firm. The system is called «up-or-out».<sup>20</sup> It is easy to imagine that Generation Y does not fit into this scheme too well. Instead of working extremely long hours for a very uncertain option of becoming a partner, young women and men prefer to work part-time or from their home offices. They want to have time for their children or for a time-consuming hobby. They wish to work in a diverse and international environ-

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<sup>15</sup> GROSS PETER, *Die Multioptionsgesellschaft [The Multi-option Society]*, 10<sup>th</sup> ed., Frankfurt 2005, p. 110 and pp. 180; DEYOE RODNEY H./FOX TERRY L., *Identifying Strategies to minimize Workplace Conflict due to Generational Differences*, in: *Journal of Behavioral Studies in Business*, Vol. 5 2012, pp. 3.

<sup>16</sup> KOVACS SANDRA L., *The Business Case for Improved Work-Life Balance at the Traditional Law Firm*, in: *Advocate*, Vol. 71 part 2 March 2013, pp. 203.

<sup>17</sup> This is also the origin of the abbreviation «Generation Y» (Y being an acronym for «why»). Cf. BOUTCHER STEVEN, *Rethinking Culture – Organized Pro Bono and the External Sources of Law Firm Culture*, in: *University of St. Thomas Law Review*, Vol. 8, Issue 2 2011, pp. 122.

<sup>18</sup> HEIDBRINK MARCUS/JENEWEIN WOLFGANG, *Individualisierung der Führung – Neue Anforderungen an Führungskräfte [The Individualization of Leadership – New Demands on Managers]*, in: *zfo* 05/2008 (77th Yr), pp. 317.

<sup>19</sup> HEIDBRINK/JENEWEIN (Fn. 18), pp. 317.

<sup>20</sup> BURK/McGOWAN (Fn. 9), pp. 54.

ment and they might ask for time-outs to travel the world. However, if the working conditions in a law firm match their expectations, Generation Y is very motivated to work hard.

### **III. New Technologies as Drivers of Change in the Law Firm Business**

These trends are now coming up against technologies which have the potential to revolutionize the law firm business. It is common knowledge that text processing and powerful so-called ERP<sup>21</sup> systems have increased quality and efficiency in office work, and also, of course, in law firms. Modern means of communication including mobile phones and video conferences have become a matter of course. Remote data hosting and virtual data storage have added to more data security and better accessibility to data. Workflow management systems facilitate the handling of complex legal projects. Well, there is a great deal more to come!<sup>22</sup>

#### **1. Communication**

E-mail and mobile phones have changed our communication habits more than anything else. We are accessible 24/7. Even lying on a beach on a remote island does not prevent us from being called by a client about a presumably urgent matter. If that is not enough, the potential of modern communication has dramatically shaped clients' expectations. A call or an e-mail is expected to be answered within hours.<sup>23</sup> If a client does not hear from his lawyer immediately, the perception of the service quality is negative.

That is the downside. Of course there is also an upside. In our work we have learned to become independent from a particular location. Lawyers can work from home or while travelling. Obviously, this offers opportunities to create workspace for lawyers that meet the expectations of Generation Y.

Social media were for a long time considered not to be part of a professional means of communication. That has changed, too! Many law firms maintain Facebook® or

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<sup>21</sup> ERP stands for Enterprise Resource Planning.

<sup>22</sup> Besides the disruptive technologies described hereafter there are even more devices currently being introduced to the legal market, e.g. Online Dispute Resolution, e-Learning or Legal Open Sourcing, to name just a few; SUSSKIND RICHARD, *Tomorrow's Lawyers – An Introduction to Your Future*, Oxford 2013, pp. 39.

<sup>23</sup> SUSSKIND (Fn. 22), p. 42.

LinkedIn® presence, they set up blogs or use Twitter®, some even use Instagram®. Platforms intended to enable chats can in fact facilitate the exchange between closed groups of experts on legal problems.<sup>24</sup> Tweets to clients sending links on new court decisions in interesting cases can be very useful to show expertise and to nurture client relationships.

Video conferences no longer just replace meetings where everybody sits around a table. They can be combined with tools for interaction including working together on documents, sharing thoughts on the on-going discussion in secret sub-groups, or presenting slides with important charts. Modern means of video conferencing combine all kinds of devices to enable efficient collaboration.

## 2. Research

Ever more data are collected, stored, and made accessible for legal research. Court decisions, literature on law, templates, drafts, and legally relevant statistics, have been open for access to the interested public for a long time. What is new is the possibility to customize the search for such information, to the extent that a specialized browser automatically recognises the work in process, adds relevant proposals for legal arguments, or points out legal sources while a lawyer is actually writing a memorandum on a specific question. This not only makes legal research most efficient but also establishes the potential to use paralegals or young lawyers for work traditionally reserved for experienced lawyers.

New knowledge management software can even enable clients to solve their legal problems without the help of lawyers. The system, confronted with a structured or unstructured factual situation, identifies the legal questions connected to the real situation and comes up with proposals for answers.<sup>25</sup> There is also software that provides legal training customized to clients' needs.<sup>26</sup>

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<sup>24</sup> Cf. for example Legal OnRamp, information retrievable at <<https://www.legalonramp.com/>>, visited on 20.1.2015.

<sup>25</sup> RUBIN BASHA, Legal Tech Startups Have a Short History and a Bright Future, published 2014 in TechCrunch Daily, p. 3, retrievable at <[http://techcrunch.com/2014/12/06/legal-tech-startups-have-a-short-history-and-a-bright-future/?ncid=rss&utm\\_source=feedburner&utm\\_medium="](http://techcrunch.com/2014/12/06/legal-tech-startups-have-a-short-history-and-a-bright-future/?ncid=rss&utm_source=feedburner&utm_medium=)>, visited on 20.1.2015; SUSSKIND (Fn. 22), p. 49. Cf. for example Co-operative Legal Services, information retrievable at <<http://www.co-operativelegalservices.co.uk/family-law-solicitors/divorce/diy-self-help-divorce/>>, visited on 20.1.2015.

<sup>26</sup> Cf. for example LawInContext, empowered by Baker McKenzie; information retrievable at <[300](http://www.lawincontext.com/gateway/(S(3kwjqb45jn3j1p55gso1le45))/ViewContent.aspx?pid=70&drilldown=3></a>>, visited on 20.1.2015.</p></div><div data-bbox=)

Web research is also possible on law firms' performance and levels of service. Fees and skills, even success rates, can be found and benchmarked.<sup>27</sup>

### 3. Big Data

There are providers that offer services with regard to checking on law firm bills. Corporate clients ask their law firms to send the bill to one of these providers. The provider then compares the hours billed with the billing practices of all the law firms feeding into their system. The data collected serves as a benchmark against which every newly incoming bill is checked. The corporate client is then only willing to pay invoices that correspond to the benchmark.<sup>28</sup>

Imagine a law firm providing comprehensive services for one of its clients in the field of contract drafting and contract management. Using powerful IT, some of these firms are able to analyse the data revealed in such a mandate. They do not just solve legal problems for their particular client. Based on findings from data analysis, they provide the client with information on, for example, the risk exposure of his contractual relationships and the financial implications of this structure. That can go so far as coming up with proposals for adjusting contracts to specific product portfolios, to client segments, or to individual market territories: information that traditionally could not be generated by providing legal services.

Big Data is just starting to develop its potential in the law firm business. As «machines» continue to improve their ability to learn and collect expertise, they will be taking over more and more legal work, possibly far beyond our expectations.<sup>29</sup>

### 4. Document Management

Traditionally, document management has included two things: either the preparation of text modules, templates, and checklists, or the filing of existing documents in such a way that they can be found easily by using word-in-text tools or content structure.

Today, these systems are not only able to provide good services for simple tasks. They increasingly help people to do more sophisticated work efficiently, for instance on corporate transactions or when drawing up complex contracts customized to the

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<sup>27</sup> SUSSKIND (Fn. 22), pp. 42. Cf. for example Buying Legal Council; information retrievable at <<http://www.buyinglegal.com/?p=7212>>, visited on 20.1.2015.

<sup>28</sup> FRICK HANS PETER, Control of Legal Fees, in: Leo Staub/Christine Hehli Hidber (eds.), *Management von Anwaltskanzleien* [Management of law firms], Zurich 2012, p. 579.

<sup>29</sup> WALL MATTHEW, Could a big data-crunching machine be your boss one day?, Article on BBC NEWS, 8.10.2014.

needs of individual clients.<sup>30</sup> Virtual data rooms, as an example, have widely replaced the storage of data in a law firm location in order to allow potential buyers of a company to investigate the risks linked to the object of purchase.<sup>31</sup>

Some of the new legal services firms active in the field even provide systems that allow law firm clients to access the knowledge management base of these law firms in order to draft their own legal documents.<sup>32</sup>

#### **IV. Impact of Disruptive Technologies on the Law Firm Business Model**

When examining the impact of disruptive technologies on law firms, it makes sense to use a model describing the build-up of a business model and its structure. ÖSTERLE suggests the application of a three-layer model.<sup>33</sup>

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<sup>30</sup> Cf. for example LegalZoom, information retrievable at <<http://www.legalzoom.com/business/start-your-business.html>> visited on 20.1.2015. Cf. also: RUBIN (Fn. 25) 2014, p. 2.

<sup>31</sup> Cf. for example Box, information retrievable at <[https://www.box.com/en\\_GB/business/virtual-data-room/](https://www.box.com/en_GB/business/virtual-data-room/)>, visited on 21.1.2015.

<sup>32</sup> SUSSKIND (Fn. 22), p. 41.

<sup>33</sup> ÖSTERLE HUBERT, Business Engineering – Prozess- und Systementwicklung [Business Engineering – Process and System Development], Vol. 1, 2<sup>nd</sup> ed., Berlin 1995, p. 16. ÖSTERLE HUBERT/BLESSING DIETER, Business Engineering Model, in: HUBERT ÖSTERLE/ROBERT WINTER (eds.), Business Engineering, Berlin 2000, p. 77.

## Business model

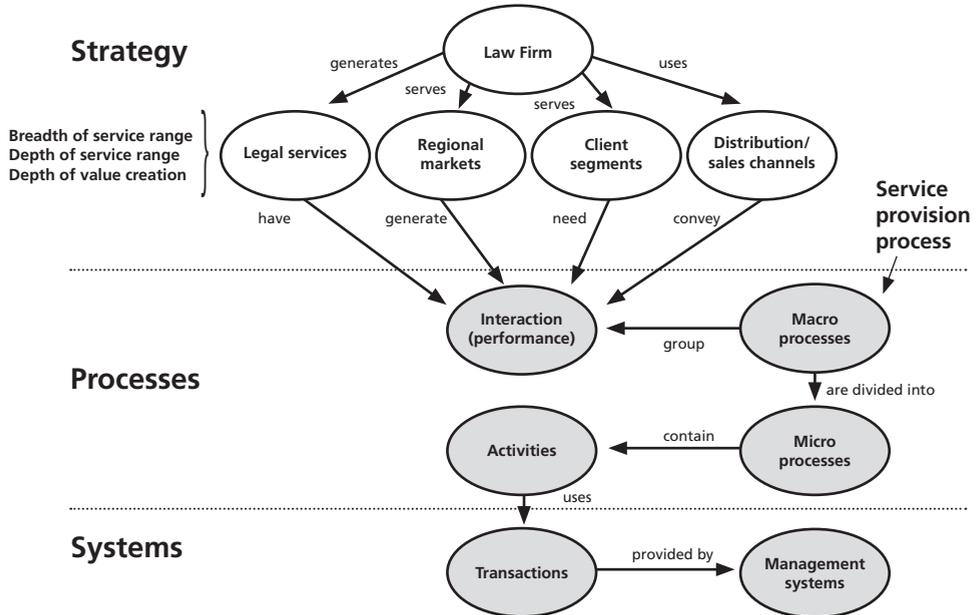


Fig. 1: Three-layer business model

### 1. Technology and Strategy<sup>34</sup>

It is obvious that technology creates entirely new opportunities in the engineering of services and products. Clients can be invited to subscribe to have access to a law firm's knowledge management database. They can be offered an analysis and evaluation of data collected while working on large numbers of contracts. Clients can be enabled to in-source a larger portion of the legal work and by doing so be guided by the law firm. As opposed to in-sourcing, law firms can also provide out-sourcing legal services to their clients by closely linking the IT systems of the parties via web solutions. On-line training in crucial areas of the law for clients' sales forces could be conducted. Many more additional or re-engineered legal products and services are perfectly imaginable.

<sup>34</sup> STAUB LEO, Entwicklung von Geschäftsmodellen für Anwaltskanzleien [Business model design in law firms], in: Leo Staub/Christine Hehli Hidber, Management von Anwaltskanzleien [Law Firm Management], Zurich 2012, pp. 237.

The depth of a law firm's service range can be increased by using a network dedicated to serving the clients that are supervised by the law firm. Service components can be put together in an assembly process controlled by the law firm. In a corporate transaction, due diligence can be conducted by an off-shore outsourcing partner, for example, while all the sophisticated work, including the analysis of the due diligence report, remains with the law firm.

Modern communication technology can bridge the gaps originating from fractured value chains and clients, as well as opposing parties located all over the world. Technology is a prerequisite for acting on behalf of clients' interests wherever they operate in the world.

The effect of using modern means of technology can hardly be overrated when addressing clients with an affinity for modern technology. Young people in a start-up company will perceive a law firm differently depending on whether this law firm is familiar with cutting-edge technology or not. But fancy start-up firms are not everything! In only a few years from today it will be the so-called «digital natives» of Generation Y who will manage corporate clients. Therefore «new» clients that a law firm can hardly afford to ignore are in the process of appearing on the scene. Matching these clients' expectations, also in terms of the use of modern technology, will be crucial.

Finally, for marketing and sales, new communication and transmitting technologies cause real paradigm shifts. This applies not only to the client acquisition process but also to the means of client retention. Twitter® messages can make a big difference when law firms compete in constantly and accurately keeping their clients up to date on important legal matters. Video conferences are able to provide much more proximity and between-the-lines communication than letters or e-mails.

## **2. Technology and Business Processes<sup>35</sup>**

When thinking of ICT<sup>36</sup> in the law firm environment, one naturally concludes that the most promising perspectives lie in the increase of efficiency. Indeed, almost every business process one can think of will be more efficient due to using modern technology. This does not only apply to processes taking place within the law firm. ICT is even more important when, in a task-sharing world of disaggregated legal services, collaborating firms collectively contribute to a legal work product.

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<sup>35</sup> STAUB (Fn. 34), pp. 246.

<sup>36</sup> ICT stands for Information and Communication Technology.

For law firms that maintain facilities in more than one location, process efficiency is crucial. Connecting lawyers from different places is the skill that virtually constitutes the DNA of such a firm.

### **3. Technology and Support Systems**

New ICT technology is the prerequisite for powerful systems, which in turn fuel the effectiveness of processes by improved data processing speed, potentially unlimited storage capacity, and increasing mobility of the devices in place. According to Moore's Law, data processing speed currently doubles every two years.<sup>37</sup> At the same time, ICT devices able to perform on a high-end scale are gradually becoming cheaper.

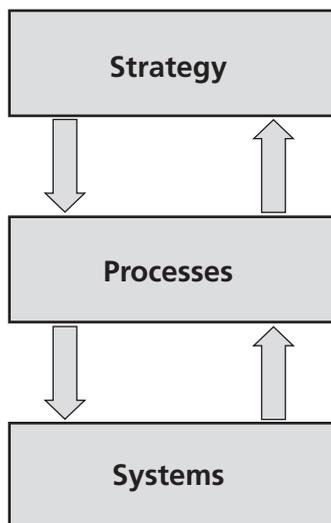
Of course, we are still talking about big investments, especially when it comes to processing Big Data in an intelligent and customer focused way. It therefore does not come as a surprise that most of the new legal services providers mentioned before invest heavily in powerful IT. The only way for most law firms to gain access to this technology is by buying services from such providers.<sup>38</sup>

But then it is not only strategy that determines process design, and process design that calls for appropriate technology. It is of course also new technology that is creating new opportunities in business process engineering, and new service provision processes opening new perspectives for strategy. The three layers in the model introduced here are elements of a multidirectional system.

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<sup>37</sup> Information retrievable at [datascience@berkeley](http://datascience.berkeley.edu/moores-law-processing-power/), Berkeley School of Information, <<http://datascience.berkeley.edu/moores-law-processing-power/>>, visited on 21.1.2015.

<sup>38</sup> Cf. for example UnitedLex, information retrievable at <<http://www.unitedlex.com/our-services/litigation-support/question.php>>, visited on 21.1.2015.



*Fig. 2: Three-layer business model as a multidirectional system*

## **V. New Outline of the Market Structure in the Law Firm Business<sup>39</sup>**

In the course of an extremely lively discussion on the future profile of the legal services market, MACEWEN proposed a market structure comprising «truly global powerhouses», «national or regional full-service firms», «boutiques», and «category killers».<sup>40</sup>

<sup>39</sup> Parts of chapter V of this paper have been prepared for STAUB LEO, Textbook on Law Firm Management, section on Strategy, Lecture on Law Firm Management at the University of St. Gallen fall term 2014.

<sup>40</sup> MACEWEN BRUCE, Growth Is Dead – Now What? Law Firms on the Brink, New York 2013, pp. 65.

Using this as a base to start from, a slightly more refined model is suggested here:

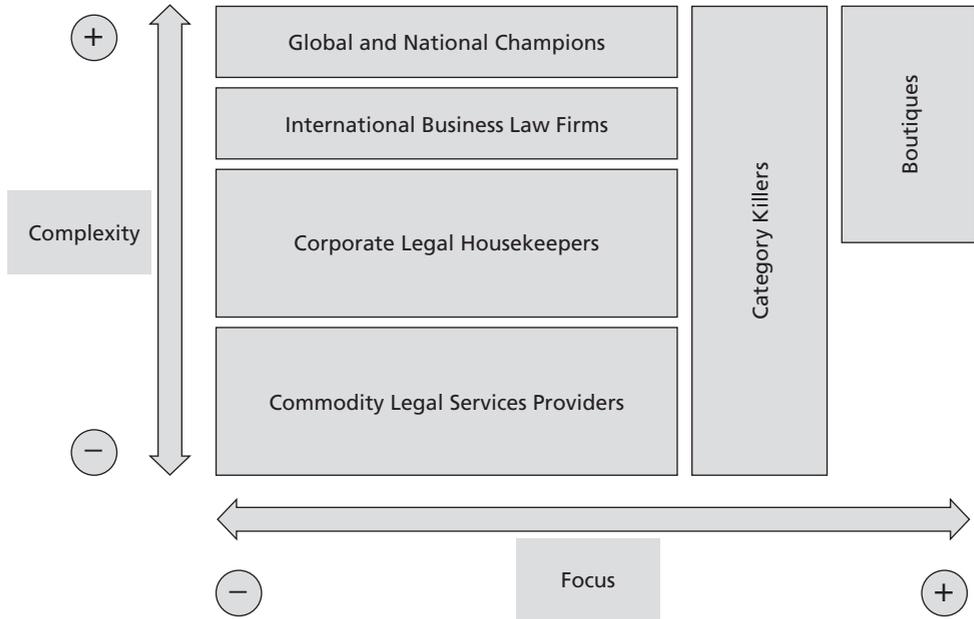


Fig. 3: Model of future market structure in the law firm business

## 1. Global and National Champions

Law firms located in this segment generally offer a relatively broad range of legal services. Their services are aimed at demanding corporate clients, whom they provide with premium legal service on complex legal issues.<sup>41</sup> Complexity refers here to the sum of three factors, of which at least two must exist in any given case:

- transnational problems that require legal knowledge in multiple jurisdictions;
- the necessity of applying interdisciplinary approaches to solving the problems;
- the legal advice being sought must be cutting edge, because the legal basis for the approach is either very uncertain, still completely new or is only understood once it emerges, but the legal advice should nevertheless contain the safest possible instruction to the client on how to act.

<sup>41</sup> KLAUS-STEFAN HOHENSTATT: Die Zukunft des Anwaltsmarktes [The Future of the Legal Market], in: Leo Staub/Christine Hehli Hidber, Management von Anwaltskanzleien [Management of law firms], Zurich 2012, pp. 953.

These champions may even have offices in several countries. In some cases, however, they simply work together with law firms in other jurisdictions on international matters.<sup>42</sup>

Firms belonging to this segment lead the national law firm rankings, generally achieve high fees, work with a limited leverage of 2 to 3<sup>43</sup> and are still among the most profitable firms in the market.<sup>44</sup> Here, with certain limitations, the principle of hands-on management applies. To use the slightly rough analogy with the market for medical services, one might say that this is the segment with the brain surgeons. Law firms in this segment are not used to meeting everyday legal needs, but generally only when there is a lot at stake and the ability to deal with high complexity is absolutely critical for the prospects of success in the case in question. Typical examples include the Magic Circle law firms in the City of London,<sup>45</sup> Wachtell Lipton Rosen & Katz in New York, Hengeler Mueller in Germany, Homburger and Bär & Karrer in Switzerland, but also others such as Bredin Prat in France or Bonelli Erede & Pappalardo in Italy. The clients of these law firms regularly comprise – but of course are not limited to – a large number of publicly listed companies in the country in question.

## 2. International Business Law Firms

These firms are often also so-called full service providers. They differ from the champions in that they do not primarily give advice in complex cases, but their range includes less complex services alongside very technically demanding services.<sup>46</sup>

Many of their clients choose these firms not only owing to their wide range of services, but also for their internationality. The law firms concerned often have a presence in many countries with their own offices, sometimes even with several offices in one and the same market. Anywhere in the world where clients have interests to

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<sup>42</sup> SAUL CHRISTOPHER, Interview, 11.6.2013, retrievable at <<http://www.lam.unisg.ch/kamingspraechephp>>, visited on 21.1.2015.

<sup>43</sup> The term «leverage» meaning the numbers of associates per partner in a law firm.

<sup>44</sup> TROTTER (Fn. 4), p. 23.

<sup>45</sup> These are generally taken to include: Allen & Overy, Clifford Chance, Freshfields Bruckhaus Deringer, Linklaters, Slaughter and May.

<sup>46</sup> DOOLAN KEVIN, Interview, 5.6.2013, retrievable at <<http://www.lam.unisg.ch/kamingspraechephp>>, visited on 21.1.2015.

protect, the law firm of their choice is not far away.<sup>47</sup> It is therefore not surprising that many of these firms are growing rapidly in an increasingly global economy.<sup>48</sup>

A great strength of the international business law firms is that they are able to very quickly assemble in-house teams from different countries, which are then deployed to work on cases, even larger ones.<sup>49</sup> The processes for cooperation between offices are well coordinated.<sup>50</sup> Their fees are generally below those of the champions, as is their profitability. Because of this, they find themselves in a permanent struggle to attract the best legal talent. Their leverage is typically above 3. The partners of the law firms belonging to this segment are often proud of the diversity in the composition of the teams and appreciate the individual scope for development that they enjoy. Typical players in this segment include Baker McKenzie, DLA Piper, CMS, Norton Rose Fulbright, and Eversheds.<sup>51</sup>

### 3. Corporate Legal Housekeepers

Law firms belonging to this segment can claim to have earned the trust of their clients in all (legal) situations. Relationships between clients and these law firms are often

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<sup>47</sup> MILLARD ROBERT/SILVER CAROLE, *Going Global – aligning local and global priorities*, in: *The International Bar Association* (ed.), *The Business of Law*, London 2012, pp. 129; QUACK, SIGRID, *Recombining National Variety – Internationalisation Strategies of American and European Law Firms*, in: *Journal of Strategy and Management*, Vol. 5 No. 2 2012, pp. 160; FINKEN MANFRED, *Strategische Optionen im Anwaltsgeschäft [Strategic Options in the Legal Business]*, in: Leo Staub/Christine Hehli Hidber (eds.), *Management von Anwaltskanzleien [Management of law firms]*, Zurich 2012, pp. 43.

<sup>48</sup> BROCK DAVID M., *Building Global Capabilities – A study of globalizing professional service firms*, in: *The Service Industries Journal*, Vol. 32 No. 10 August 2012, pp. 1593. This paper explains that law firms pursuing internationalization need to meet five critical requirements in order to be successful with their strategy. They need (1) an appropriate market entry strategy, (2) clean governance, (3) an organization oriented towards internationalization, (4) sufficient leverage and (5) an effective integration process.

<sup>49</sup> PEARCE/WALD (Fn. 2), pp. 111.

<sup>50</sup> SEGAL/DEAN (Fn. 1) 2011, pp. 196.

<sup>51</sup> VETULA MEGAN E., *From the Big Four to Big Law – The Swiss Verein and the Global Law Firm*, in: *The Georgetown Journal of Legal Ethics*, Vol. 22 2009, pp. 1177, there is a good example of the debate in the United States about whether the obstacles in the legal profession there to establishing international structures should be adapted to create a «level playing field» relative to British and Australian firms on the issue of internationalization. For the debate on the suitability of UK Alternative Business Structures (ABS) as a legal basis for legal service providers in non-English, single-market jurisdictions, Cf. WEBERSTAEDT JAKOB, *English Alternative Business Structures and the European Single Market*, Paper submitted to the Bucerius Center on the Legal Profession, September 29 2013, <<http://ssrn.com/abstract=2333174>>. Cf. also DEUTSCHER ANWALTVEREIN/PROGNOS, *Der Rechtsdienstleistungsmarkt 2030*, Executive Summary, 2013, p. 18.

long-term. Barriers to entering this segment of the market are low, however, and fees are moderate compared to those of the champions and even to the international business law firms.<sup>52</sup>

By working together with their clients, often for many years, lawyers in these firms have acquired an in-depth, almost intimate knowledge of the relevant companies, their joys and sorrows, their customers, markets and suppliers. This can save time when briefing the law firm on a new matter, and the coordination between lawyers and clients takes less work.<sup>53</sup>

Viewed from the outside, long-standing partnerships between lawyers and their clients look like a marriage of many years. Occasionally, a certain familiarity with one another can set in, which carries risks along with many advantages. In such relationships, lawyers occasionally tend to work on cases which they are not qualified to work on. Clients, on the other hand, use their lawyers for questions that could be answered by good employees of their own. A working relationship that appears cost-effective at first glance can turn out to be very expensive in either case!

From a strategic perspective, the biggest advantage of a firm which belongs to this market segment is also the greatest risk: the relationship between the lawyer and the client! If, for whatever reason, the relationship suffers, there is a major incentive for the client to change law firms. After all, the previous law firm has not differentiated itself by any technical criterion – «only» by its familiarity with the client. Given time, another law firm will also be able to establish the same familiarity with the client. If the legal housekeeper is a small law firm, the relationship with individual long-standing clients can often therefore represent a cluster risk.

These firms are undoubtedly in a particularly demanding strategic situation. They will have to work harder than others to develop characteristics that differentiate them from competitors in the eyes of clients.<sup>54</sup>

Another challenge arises from the fact that in such firms, lawyers capable of truly first-class legal work typically sit alongside colleagues who focus on the relationship side of things. While the former are entrusted with briefs requiring a high degree of

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<sup>52</sup> UZZI BRIAN/LANCASTER RYON/DUNLAP SHANNON, *Your Client Relationships and Reputation – Weighing the Worth of Social Ties: Embeddedness and the Price of Legal Services in the Large Law Firm Market*, in: Laura Empson (ed.), *Managing the Modern Law Firm*, Oxford 2007, pp. 91.

<sup>53</sup> RODNEY PHILIP, *Being Successful within your Jurisdiction*, in: The International Bar Association (ed.), *The Business of Law*, London 2012, pp. 107; EBHARDT HORST/THEISS WOLF, *Building a leading position in a Regional Firm in Central and Southeastern Europe*, in: The International Bar Association (ed.), *The Business of Law*, London 2012, pp. 115.

<sup>54</sup> LAMBERT JOSEPH J., *Interview*, 19.4.2013, retrievable at <<http://www.lam.unisg.ch/kamingespraechе.php>>, visited on 20.1.2015.

customization, the latter are often involved in cases that include a large proportion of repetitive work. So, in the same law firm, there are legal «artists» and legal «workers». To ensure that productivity in legal work is as high in one segment as it is in the other, different service provision processes are required.<sup>55</sup>

#### 4. Commodity Legal Services Providers

Commodity Legal Services Providers have only developed in recent years. As mentioned before, the «disaggregation» of legal services is crucial for the existence of this market segment.<sup>56</sup> Looking at legal transactions as a sequential series of sub-processes, it quickly becomes clear that different technical skills are needed in order to complete it. When devising the mechanics of the transaction, for example, the highest level of legal expertise is asked for in challenging cases. It calls for legal «art». Due diligence, however, requires the ability to process large amounts of data very efficiently in a short time. Here, a legal service provider needs mastery of the due diligence process in order to be able to use efficient IT and have the appropriate case load in the field in question.

That is the opportunity for commodity legal services providers.<sup>57</sup> In certain aspects of legal work, they have superior expertise in completing even large volumes of work reliably, cost-effectively and quickly. In addition to legal knowledge, many non-legal skills are also required. LegalZoom, Riverview Law, Axiom, UnitedLex, Lawyers on Demand or co-operative legal services are just a few of these providers, of which there are now already hundreds worldwide.<sup>58</sup> Even respected champions have discovered this field for themselves. As an example, Allen & Overy operates a business unit focused on providing commodity legal services at its Belfast office. Besides lawyers, such providers typically hire a large number of employees with no legal training. They employ IT professionals, document administration experts, web researchers, project managers or even simply well-qualified sales staff. Since their salaries are normally below those of experienced lawyers, their legal services can often be offered at a

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<sup>55</sup> LEWIS MICHAEL A./BROWN ANDREW D., How different is Professional Service Operations Management?, in: *Journal of Operations Management* 2012, Vol. 30, Issue 1/2 January 2012, p. 6.

<sup>56</sup> CHRISTENSEN/WANG/VAN BEVER (Fn. 9), pp. 109; BURK/McGOWAN (Fn. 9), pp. 93; REGAN/HEENAN (Fn. 9), pp. 2136; HEINZ (Fn. 9), p. 75.

<sup>57</sup> CHAIN (Fn. 13); ERTEL/GORDON (Fn. 13), pp. 126; TROTTER (Fn. 4), pp. 145; HARPER (Fn. 5), p. 191; RIBSTEIN (Fn. 1), p. 778; PEARCE/WALD (Fn. 2), p. 141.

<sup>58</sup> KING JAN/EDWARDS CATHERINE, Alternative Business structures – A Brave New Legal Services World?, Paper presented at the Socio-Legal Studies Association Annual Conference at the University of York, 26-28.3.2013, pp. 1; DAWS ANDY et al., Even in a Digital, Data-Driven World, We Still Need Travel Agents ... And Lawyers, Paper prepared for the Georgetown Law Symposium, in: *The Shrinking Pyramid – Implications for Law Practice and the Legal Profession*, 12.4.2013, pp. 1.

much lower fee than can be offered by a «normal» law firm.<sup>59</sup> Focusing on a few selected services and providing high volumes in these areas also guarantees the very best quality in many cases.

One critical success factor in this segment is the ability to fund large investments in efficient IT.<sup>60</sup> Many of these providers are therefore constituted under English law as alternative business structures (ABSs)<sup>61</sup> or, in some countries, focus on services outside the monopoly of lawyers.<sup>62</sup> This gives them access to the private or public capital market.<sup>63</sup> Irrespective of the mode of financial funding of these ventures, ABSs no doubt have the potential to threaten the market position of legal housekeepers in particular.<sup>64</sup>

## 5. Category Killers

MacEwen includes law firms that focus on a single area of expertise in this market segment.<sup>65</sup> They share this characteristic with the boutiques. Unlike boutiques, how-

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<sup>59</sup> LACITY/WILLCOCKS (Fn. 12), p. 9; CURRELL DANIEL/HENDERSON M. TODD, Can Lawyers stay in the Driver's Seat?, in: *International Review of Law and Economics* 2013, pp. 6, retrievable at <<http://dx.doi.org/10.1016/j.irl.2013.10.007>>, visited on 20.1.2015.

<sup>60</sup> TROTTER (Fn. 4), pp. 165; MAC EWEN BRUCE, Interview, 17.4.2013, retrievable at <<http://www.lam.unisg.ch/kamingspraechen.php>>, visited on 20.1.2015.

<sup>61</sup> FLOOD JOHN, Interview, 7.6.2013, retrievable at <<http://www.lam.unisg.ch/kamingspraechen.php>>, visited on 20.1.2015; COLONNESE MARK, Alternative Business Structures and Legal Convergence, in: *Credit Control*, Vol. 34, Issue 10/11, pp. 8. See the discussion of the advantages and disadvantages of alternative business structures for small and medium-sized firms in Australia in HART CAROLINE, Business Structures and Sustainable Regional Legal Practice – The Use of Incorporated Legal Practices by Regional, Rural and Remote Legal Practitioners, in: *International Journal of Rural Law and Policy*, 2012 Special Edition, p. 17.

<sup>62</sup> It will be interesting to see whether UK-based ABSs will be permitted to develop business activity in other European countries by invoking the EU directives on the free movement of services; cf. WEBERSTAEDT (Fn. 51).

<sup>63</sup> HEINZ JOHN P. (Fn. 9), pp. 76; PETZOLD JUSTIN D., Firm Offers – Are Publicly Traded Law Firms Abroad Indicative of the Future of the United States Legal Sector?, in: *Wisconsin Law Review*, 67/2009, pp. 67; the author takes the view that access to the capital market by Australian and British law firms could impact global competition to the detriment of American firms that are not granted such access. Cf. also FORTNEY SUSAN/GORDON TAHLIA, Adopting Law Firm Management Systems to Survive and Thrive – A Study of the Australian Approach to Management-based Regulation, in: *University of St. Thomas Law Journal* 2014, Vol. 10, Issue 1, pp. 152; DAWS ANDY/BROWN KELLY M., Sketching the Future – Axiom, Valorem, Riverview, LegalZoom – Is this the New Model?, in: *Practice Innovations – Managing in a changing legal environment*, October 2014, Vol. 14, Nr. 4, p. 4.

<sup>64</sup> ROSE NEAL, Law firms «increasingly worried» by the threat of ABSs and non-solicitor competitors, 9.10.2014, retrievable at <[www.legalfutures.co.uk](http://www.legalfutures.co.uk)>, visited on 20.1.2015.

<sup>65</sup> MAC EWEN (Fn. 40), p. 70.

ever, category killers have specializations covering the entire range of services from high-end to low-end, and have also achieved a high market share within their niche. MAC EWEN cites Jackson Lewis, Littler Mendelson and Ogletree Deakins as examples, all US firms specializing in labour law.<sup>66</sup>

Law firms in this market segment have the advantage of being able to focus on and master a specific field of law. However, the fact that they have to offer the entire vertical range of services in this field forces them to have a highly flexible service provision process. It must be able to deliver both extremely sophisticated services and commodities. Therein lies a major challenge in designing the business model!

In other jurisdictions, this type of law firm does not (yet) seem to have managed to break through.

## 6. Boutiques

Boutiques have been around for a long time and will always be there.<sup>67</sup> These are law firms that focus on the high-end in a very specific area of law. A fine example of the success of this business model is undoubtedly Quinn Emanuel Urquhart & Sullivan, a medium-sized American law firm with offices in Europe, Asia and Australia, which focuses entirely on litigation and arbitration.

Boutiques have sought out a niche market in which they solve complex problems for demanding clients.<sup>68</sup> They differ from the champions in that their range is very narrow, and from the category killers in that they do not bother with commodity services.

The growth potential of boutiques is generally very restricted. Growth opportunities will emerge if the niche is not yet heavily occupied, or if new niches form owing to legal or economic developments. After all, in recent times, so-called spin-offs of large firms have successfully established themselves time and again on the market as boutiques.<sup>69</sup>

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<sup>66</sup> MAC EWEN (Fn. 40), p. 70.

<sup>67</sup> FINKEN (Fn. 47), p. 39; BURK/McGOWAN (Fn. 9), p. 101.

<sup>68</sup> NUNN CHRISTIAN, HFK – mit einer Boutique-Strategie zum Erfolg [HFK – with a Boutique Strategy for Success], in: Leo Staub/Christine Hehli Hidber (eds.), *Management von Anwaltskanzleien* [Management of law firms], Zurich 2012, pp. 80.

<sup>69</sup> VANDENACK MARY E., Dawn of A New Business Model, in: *Law Practice*, Vol. 39, Issue 1 Jan/Feb 2013, pp. 30.

## VI. Summary

The market for legal services is about to undergo fundamental changes. This is due to important trends, including globalization, a shift in the market power of lawyers and their corporate clients respectively, disaggregation of legal services, and the clash of Generation Y on the one hand, with the up-or-out system in law firms, on the other hand. New information and communication technology meets the requirements of these trends and fosters change in a way that new business models for law firms come into existence.

Accordingly, the market for legal services will receive a new profile. (1) There will be fewer and smaller global and national champions at the high-end of the market. (2) Some big international business law firms will be preferred partners for large corporations doing business all over the globe. (3) The vast majority of legal work arising in corporations will be done by legal housekeepers which heavily rely on a good personal relationship with clients' representatives. (4) The segment of commodity legal services providers will see impressive growth, which will have a serious impact on the business of all other players in the market. (5) Category killers and (6) boutiques will continue to exist in niches where they can benefit from their superior expertise in a small field of law.