Automation in LAW

A new type of startup, known as legaltech, is developing technological systems for the legal field

Janaína Simões

PUBLISHED IN SEPTEMBER 2018

There are more than one million qualified lawyers in Brazil. On average, 12,519 Brazilians out of every 100,000 filed a lawsuit in 2017. At the beginning of 2018, there were 80.1 million open lawsuits in the country according to the latest report by *Justice in Numbers 2018 – Base Year 2017*, a study by the National Justice Council (CNJ) that presents the most up-to-date statistics from the sector. These figures demonstrate the market potential that has led to the formation of a new group of startups in Brazil, which have grown faster than any other over the last two and a half years: legaltechs or lawtechs. These startups focus on the development and use of technologies applied to the law (*see details on page 53*). In Brazil, there is no distinction between the two terms, but in many countries, legaltech refers to startups that cater to the entire market, while *lawtech* refers to companies that develop solutions specifically for lawyers.

There are not yet any official estimates on how many startups there are in this sector in the country. The Brazilian Lawtech & Legaltech Association (AB2L) was formed by a small core of entrepreneurs from a WhatsApp group, which evolved into a formal entity in 2016. Initially the association had approximately 40 members. Based in Rio de Janeiro, today the association represents 180 companies, including early stage startups. "I believe that, within five years, there will be a unicorn in this sector," says Bruno Feigelson, president of AB2L and CEO of Sem Processo in Rio de Janeiro. A unicorn is the name given to a startup valued at US$1 billion or more before an initial public offering.

"This is an international phenomenon. In just five years, US$1 billion of venture capital was invested in technology companies focused on the legal market in the United States," Feigelson continues. One example of this trend is the work being performed at Stanford University's Center for Legal Informatics (CodeX). A group from CodeX developed Techindex, which mapped 1,048 legaltech companies in the United States. Another international initiative in this field, which is based in the United Kingdom, is Legal Geek, which has more than 4,000 members from the legaltech ecosystem, and in 2017, it mapped 64 startups. All of these startups were founded in the last seven years.

The Research and Innovation Teaching Group (GEPI), a branch of the Getulio Vargas Foundation in São Paulo (FGV Direito SP), is concluding a study on the use of these new technologies by law firms in Brazil. The results are expected later this year. The use of digital technologies in law is not new, although

ILLUSTRATION BRUNO ALGARVE

Functions on offer

Products and services provided by legaltech

ONLINE CONFLICT RESOLUTION
Use of alternatives to lawsuits, such as mediation, arbitration, and negotiation of settlements

LEGAL CONTENT, EDUCATION, AND CONSULTING
Websites offering information, legislation, news, and consulting, ranging from data security services to tax advice

COMPLIANCE
A set of controls to enforce legal standards and policies related to the activities of the institution

TAXTECH
Platforms that offer technologies and solutions for the tax sector

ANALYTICS AND JURIMETRICS
Platforms used to analyze and compile legal data and metrics; statistics applied to law to predict results

PUBLIC DATA EXTRACTION AND MONITORING
Monitoring and management of public information, such as publications, ongoing lawsuits, legislation, and documents

DOCUMENT MANAGEMENT AND AUTOMATION
Automation software for drafting legal documents and managing contracts and cases

ARTIFICIAL INTELLIGENCE
Artificial intelligence solutions for courts and public authorities

REGTECH
Development and application of technology to solve problems generated by regulatory requirements

PROFESSIONAL NETWORKS
Platforms that can help law professionals connect to each other and to potential clients

SOURCE THE BRAZILIAN LAWTECH & LEGALTECH ASSOCIATION (AB2L)

in the past they were often only applied to internal processes, such as office management. "Now the game has changed: many of the technologies are addressing the end product. For example, databases are being automated to allow lawyers to provide better services. We have technologies such as case management and electronic petitioning that help to better organize court cases," says Alexandre Pacheco da Silva, a professor at FGV Direito SP and one of the coordinators of GEPI. "There are also some really pioneering fields in the legal area, such as the reading of judicial decisions by algorithms that categorize and export case data, or that can build a decision profile for a specific judge," he says. "These are the more sophisticated technological solutions."

Should legal professionals fear such changes? "Bureaucratic, repetitive functions will be directly affected, while other

activities will continue to be performed by people, such as interpersonal relationships with clients," says Silva. "Few clients would want to communicate with a law firm using a digital platform." Silva believes that the market and universities will need to rethink how future lawyers are trained. "Those not prepared for this new landscape will face difficulties finding work," he says.

Brazilian bodies such as the Superior Court of Justice (STJ), the Superior Electoral Court (TSE), the National Justice Council (CNJ), and others have already automated their petition systems. Contracts go through the same process. "It is difficult to express the advantages of automation in numbers because every firm makes different gains," says Silva. In the research he coordinates, however, there are testimonials from professionals who were able to reduce the time it took them to draft certain types of contracts from two and a half hours to approximately 20 minutes.

According to the researcher, the FGV study to be published this year shows that the vast majority of the companies that use legaltech solutions are based in the south and southeast of Brazil. One exception he cites is Urbano Vitalino, a law firm in Paraíba that has created an AI program for automatically drafting documents. AB2L also reflects this geographic distribution. Of its 180 associates, including early stage startups, 57 are from São Paulo and 13 are from Rio de Janeiro. The other members are based in the states of Paraná, Santa Catarina, Rio Grande do Sul, Minas Gerais, Espírito Santo, Goiás, the Federal District, Pernambuco, Amazonas, and Amapá.

Startups focused on law tend to use their own funds to develop technology for the sector

NO PUBLIC FUNDING

There is an interesting characteristic of this generation of startups in Brazil: the absence of public funding. São Paulo-based startup Tikal Tech, for example, was founded in 2014 with investment from Antônio Maia, a lawyer from the city. The company celebrates the fact that some 200,000 lawyers have used or still use their products. "We also have more than 300,000 intermittent customers and individuals who have had contact with our services in some way," says Derek Oedenkoven, CEO of the company.

Tikal Tech created LegalNote, an AI program that simulates internet browsing to monitor, query, capture, and store information on legal cases and uses machine learning to read, classify, and identify information of interest. Using the lawyer's Brazilian Bar Association (OAB) registration number, the software tracks all of his or her cases online and alerts him or her to any changes or progress.

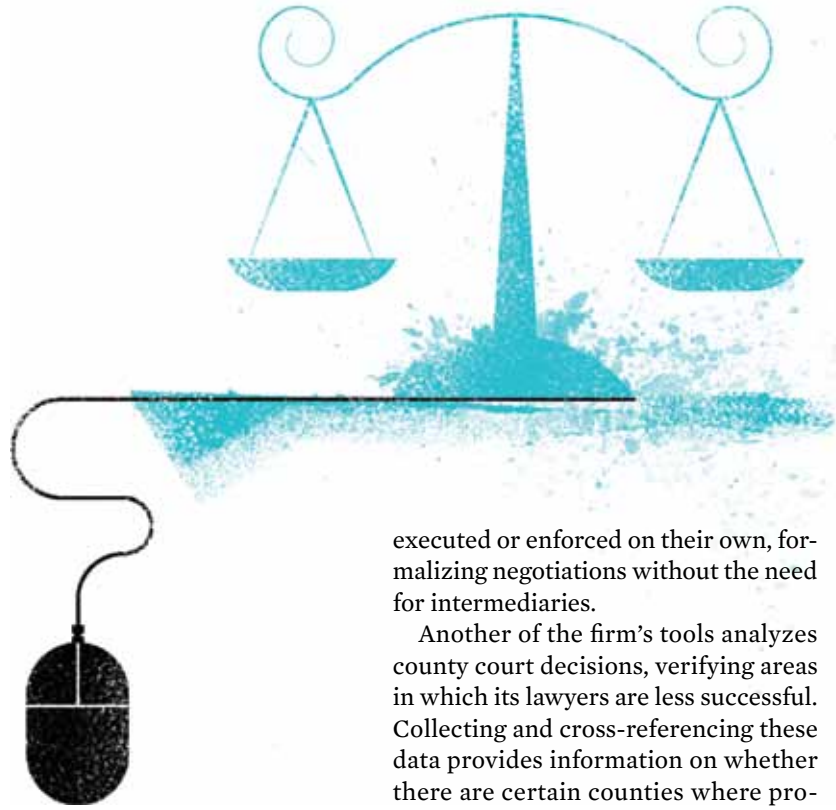
LegalNote has begun registering non-lawyers, such as people who have filed lawsuits related to labor disputes or consumer protection, as well as small businesses. The company has also launched a new service called SeuProcesso, which not only allows users to monitor the progress of lawsuits but also translates legal text into a more readable language. The company has also developed an AI-based legal automation program called Eli as well as an application through which lawyers can find and hire colleagues across the country, called Diligeiro.

Founded in São Paulo a year and a half ago, Deep Legal was also funded by private investment from lawyers Vanessa Louzada and Rosely Cruz, advertising professional Isabela Ventura, and engineers Raul Azevedo and Ricardo Rezende. The system offers three solutions. With the "monitor" solution, users can check their legal performance in real time via several indicators, such as cases opened and closed, progress, judgments, and settlements. With "compare," users can compare the legal performance of their firm or company with that of their competitors. The "predict" solution, meanwhile, provides statistical information on the chances of winning or losing a case in the user's portfolio, improving estimated outcomes. With this tool, lawyers can form better legal strategies, such as seeking settlements or changing their defense. The team, which has expertise in the legal area, tests its new technologies in partnership with the law firm Neolaw, whose clients use the products on an experimental basis at no cost. The tool will be available to legal companies and departments in November.

Linte, a startup that aims to combine document automation and workflow, received US$100,000 from an accelerator based in San Francisco, USA, to create its software, which is named after the company. "We know that activity B follows

ILLUSTRATION BRUNO ALGARVE

activity A. Workflow software helps us organize our work into stages and then automates them," explains Gabriel Senra, one of the founding partners of Linte, which is based in the Cube, an entrepreneurial space in São Paulo run by Itaú Unibanco and the Redpoint Eventures investment fund.



SELF-FUNDING

Some developers interested in this market have invested in their own businesses, such as Rio-based startup Sem Processo. Founded in January 2016, the platform facilitates out-of-court settlements by connecting lawyers representing individuals to the legal departments of companies facing legal action. The goal is to save time and money by encouraging an agreement between the parties and preventing the case from going to court—enabling the parties to negotiate and close lawsuits.

In less than a year, cases from more than 500 different companies have been registered on the platform. "We began to develop a module that we call litigation, which is operated by companies, legal departments, or law firms. Some companies have 30 or 40 firms working for them, and they all use Sem Processo," says Bruno Feigelson, one of the founders.

Another startup that chose to take this path was Legaltech from São Paulo. Founded in 2009 by José Antônio Milagre, the company offers services related to online reputation management, focusing on monitoring the personal data and image of individuals, companies, and institutions on the internet. "In 2015, we started thinking about developing AI programs to automate the search for personal data, defamation, news, fake profiles and violations of copyright on social networks," says Milagre. As a result, Legaltech was able to automate the process of collecting evidence by storing data on offensive texts and images or fake profiles.

"Our tool monitors an average of 600,000 public and private items on social networks per month," he says. The technology uses artificial intelligence, the semantic web—through which the software interprets information—and machine learning. All of these features are used to identify photo and video posts, determine whether they involve an offense, and assess the potential for legal repercussions. If an online search finds evidence with forensic value, another tool called Minha Imagem ("My Image") is automatically triggered to formulate a request for removal by filling out the online forms provided by social networks or drafting a legal letter.

Opice Blum, a law firm in São Paulo, opted to create its own legaltech division in 2013, which is run by seven of the firm's approximately 100 employees. One example of the software developed by the team is a system for monitoring fake news during elections. "We can detect whether a social media post is fake news, whether it is being viewed and shared in greater numbers than other posts, and whether it should be the subject of special and immediate action, and we can then suggest a response to our customers," explains the founder and partner of the firm, Renato Opice Blum.

"But, it goes beyond that: algorithms and mathematical models also help lawyers in court to demonstrate coordinated actions across different media, for example, or profiles made for illicit purposes." The firm is renowned in the detection of fake products in virtual stores as well as other cases involving artificial intelligence and smart contracts — which can be executed or enforced on their own, formalizing negotiations without the need for intermediaries.

Another of the firm's tools analyzes county court decisions, verifying areas in which its lawyers are less successful. Collecting and cross-referencing these data provides information on whether there are certain counties where professionals are filing more suits against their clients, where there is a greater or lesser chance of conciliation to avoid prosecution, where there is a greater risk of their clients losing a judgment, and the likelihood that a court will change its decision after an appeal.

ACCELERATING STARTUPS

In July, Thomson Reuters—a multinational corporation that operates in various sectors, including law—hosted *Accelerator Day for Lawtechs* in Campinas, São Paulo State. Nine of the twenty companies that applied were selected, and all of them already have clients and experience in the market. The mission of the companies was to present technological projects capable of adding value to Legal One, a legal platform developed and marketed by Thomson Reuters.

"It is easier to introduce a solution to a complex market like Brazil and then take it to another market," says Ralff Tozatti, marketing director for the multinational in Brazil and one of the creators of Accelerator Day. The selected companies will receive mentoring, marketing, development advice, access to events, and certification by Thomson Reuters. The companies will have to complete the development of their technologies by October of this year using Thomson Reuters as their "laboratory". ■