

PRESS RELEASE

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"Digital Economy and the Law": BUJ and CMS unveil study on the legal challenges posed by digitisation and its impact on legal departments

- *Legal departments largely view digital transformation as an opportunity*
- *Digitisation presents new legal challenges*
- *Legal tech is becoming increasingly important in the provision of legal advice*

Frankfurt/Main – The German Federal Association of Corporate Lawyers (BUJ) and commercial law firm CMS today presented a study on "Digital Economy and the Law". In the study, representatives from 305 legal departments provide information on their preparations for digital transformation, the challenges and risks they see and the topics and areas of law they believe to be most affected by digitisation. The survey findings are backed by a comprehensive analysis of the most important legal issues associated with digital transformation.

Just under 70 per cent of those surveyed feel that digital transformation will have a significant impact on their company and on the work of their legal department. Over 62 per cent view the change process as positive, with around 73 per cent anticipating that a growing requirement for lawyers with digital skills will create more jobs in legal departments. "These results show that in-house lawyers are rising to the challenges presented by digitisation," said BUJ director Marie-Alix Freifrau Ebner von Eschenbach. "They understand that artificial intelligence and innovative legal tech products can be used to perform many of the routine tasks involved in drafting and commenting on contracts, thereby helping to boost the quality and efficiency of legal advice. While this is likely to lead to a different distribution of tasks and workflows within legal departments, it will also create space to address new legal challenges."

Dr Hubertus Kolster, Managing Partner at CMS, added: “The study shows that increasing use of digital technology within companies also entails significant changes in the legal working environment. As the largest law firm in the German legal market, we see it as our mission to support this transformation process and assist with the complex challenges it involves. We believe that the legal market of the future will be about combining integrated, efficiency-boosting solutions with specialist legal expertise.”

The respondents are also clearly aware that digitisation raises many new legal issues. Some 85 per cent anticipate that greater expertise will be required in specific legal areas, such as data protection and IT security, as well as in liability and regulatory matters. Two thirds of respondents predict that legal departments will need to embrace new areas and business models in the future. “Advances in digitisation will have a huge impact on workflows in legal departments and on lawyers’ working practices,” said Dr Markus Häuser, a partner in the TMC (Technology, Media & Communications) division at CMS. “Increasingly, new legal issues will need to be resolved on an interdisciplinary basis as part of a joint discourse between lawyers and specialist departments. The early involvement of lawyers in the product development process will likewise be essential.”

With digital technology and its applications already significantly impacting existing laws and regulations, and new issues needing to be addressed, corporate lawyers take a rather critical view of Germany’s position in this respect. When asked how well prepared for digitisation the country is, they rate it as merely satisfactory. A reluctance to use new technology, a low level of technical skills and a lack of forward thinking are the aspects criticised in particular.

Moreover, only 27 per cent of respondents regard their own legal department as well prepared or very well prepared for digital transformation. The reasons most frequently cited for inadequate preparation are budgets that are too low and a lack of urgently needed resources. Respondents also indicate that the importance of digitisation has not been emphasised strongly enough, meaning the conclusions necessary to bring about change have not been reached. Other criticisms are a reluctance to embrace change, colleagues being too old, a lack of training and a slow pace of change.

To date, only 9 per cent of the legal departments questioned are planning to increase spending in relation to digitisation. Those companies making additional provision are aiming to increase their budget by 18 per cent. Almost 40 per cent plan to optimise processes to cope with the extra workload, and another 14 per cent intend to reallocate existing capacity from other legal areas to focus on digitisation.

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For more information, please visit cms.law.

About CMS:

Founded in 1999, CMS is a top 10 international law firm, based on the number of lawyers (Am Law 2015 Global 100), and offers specialist advice in many different fields. With 61 offices in 35 countries across the world, employing over 3,200 lawyers, CMS has longstanding expertise both at advising in its local jurisdictions and across borders. CMS acts for a large number of Fortune 500 companies and the FT European 500 and for the majority of the DAX 30.

CMS provides a wide range of expertise across 19 expert practice and sector areas, including Banking & Finance, Commercial, Competition, Corporate/M&A, Dispute Resolution, Employment, Energy, Intellectual Property, Lifesciences, Real Estate, Tax and TMC.

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