THE AMERICAN LAWYER | THE AM LAW DAILY
An ALM Publication

Build or Buy? Orrick to Do Both as Firm Plans to Invest in Legal Tech Startups

By Roy Strom
November 15, 2018

Orrick, Herrington & Sutcliffe's partners aren't strangers to investing in startups. The San Francisco-founded firm has a fund that has invested in tech ventures for roughly three decades.

The firm is now planning to go further by investing specifically in legal technology startups, as part of a multipronged effort to keep on the cutting edge of changes to its own industry. The firm last year launched an internal software development team, Orrick Labs, that is designing its own tech solutions for the firm.

Orrick is set to announce on Thursday that it plans to invest up to $250,000 in legal tech startups that are receiving bigger rounds of funding from major venture capital firms. The firm anticipates making about two such investments a year that will also allow the firm's lawyers to beta test promising new software.

Other firms, including Dentons' Nextlaw Ventures and Baker McKenzie, have also begun investing in legal tech startups. Foley & Lardner and Allen & Overy are among firms that have developed incubators that give space and some legal advice to young companies.

Don Keller, a partner in Orrick's Silicon Valley office who leads its technology practice, said the firm is launching its investment program as a way to augment its own development of legal software. But the firm decided to limit its investments to $250,000—already more than the $50,000 or $100,000 investments it makes in other tech startups—because it doesn't want to be the main source of funding for young companies.

"I think the interesting question for us, ultimately, is how big of an Orrick Labs organization do we build internally?" Keller said. "Because at the end of the day, we're not a software company. That's not our expertise. There is a certain amount we want to do of that because we're not finding it in the market."

Keller said there is a more compelling case for investing in legal tech companies as the market matures and as law firms become more sophisticated users of technology. One potential driver of legal tech adoption, Keller said, will be the ability of law firms to pass on the cost of technology to clients.

For instance, Orrick is rolling out a new, cloud-based version of a "data site" platform that lets clients access documents. About 1,000 clients currently have access to their own data site, Keller said. The cost of the cloud-based service, which is isolated for individual clients, may be able to be passed on. As more cloud-based services are priced in that way, Keller said firms will be more willing to invest in them.

"That opening is extremely significant to the development of this legal tech market, actually," Keller said.

While the firm has already decided to be a legal tech investor, Keller said it may eventually be a seller of products as well. That would stem from products being developed by its Orrick Labs group, which could eventually develop into a spun-off software development business. That is an approach being mulled by Chapman and Cutler after the firm last week sold an internally developed software application to Net Documents.

"You get the best of both worlds," Keller said. "You get access to [the products] and you get more developers. We have a team of developers, but we don't have 100. And we don't want 100. But if you spun it out, you could have 100."

Based in Chicago, ***Roy Strom*** *has been reporting on the legal world since 2011. He covers law firms with a focus on how the Big Law business model is changing. He writes a weekly column for Law.com called "The Law Firm Disrupted," covering changes in the legal services market. He can be reached at rstrom@alm.com. On Twitter: @RoyWStrom*

orrick