



THE INFLUENCERS: DIGITAL TRANSFORMATION

TRANSCRIPT Sebastian Lach

Leo von Gerlach	Hello everybody and welcome to another edition of The Influencers, our podcast conversations on digital transformation and law. I'm Leo von Gerlach and with me today is Sebastian Lach, founder and CEO of the legal tech, pioneering company Eltemate, which he has built up alongside his client practice as one of Germany's most prominent compliance and white collar crime prevention lawyers. Sebastian great to have you.
Sebastian Lach	Well, thanks for having me.
Leo von Gerlach	To get started, how did you came up with the idea of setting up a legal tech firm alongside your very, very busy client practice in the first place and what were the drivers back then?
Sebastian Lach	Yeah, I'd be bragging if I would say that that was my idea. There's a lot of great tools on the market for legal technology. There's a lot of great, very smart people, but all of these tools really didn't solve all problems as a firm and really didn't solve the problems that our clients had. And so that's how the idea was started that maybe we've got to do something ourselves because who understands our problems better than we do and who understands our clients problems better than our clients and then ourselves, and that's how the idea came about. So I really I was approached, but then really got fascinated by the possibilities and the development and the innovation and the people working in this space, quite frankly.
Leo von Gerlach	Before we get to the people, the solutions and the clients, let's just stick for another minute with you personally. How do you juggle your respective roles as a client lawyer on the one side and then driving a legal tech enterprise on the other side? So how do you make it work out?
Sebastian Lach	I think the secret in all of that is to understand your limitations and to understand what you can do and what you cannot do, and the most important thing is to gather really, really good people around you. So I mean, there's a lot of things in my professional life that I could have done better, but I think the one thing I did well was gather really good people around me and give them breathing space so they can basically show and develop their qualities and that's how they stick around. And so what I basically did in my legal space and in my tech space, get really good people around me and power them, trust them, try to give them guidance where we want to go and then give them room to execute. And of course, you know, demand execution that we make progress, but I think that's the main thing to understand. Your priorities, prioritize what is important, what is unimportant and then get good people around you who can make it happen.
Leo von Gerlach	That's an interesting point because just encouraging and driving and growing people is so much a key component of a client practice of a

	<p>good client practice. And now you say that's also a key component of building a legal tech company. So, in addition to the people aspect of the business, what's the vision, the objectives that that you pursue?</p>
Sebastian Lach	<p>I think in the end, innovation will mean making people's lives better. And if you want to make people's lives better, you've got to increase their well-being and their work and, you know, make their work life better. And that means solving problems. So for me the whole vision of it is that we identify real life problems, things that are onerous, repetitive, that people really don't like doing and replace them with digital solutions because then people can take care of the really important stuff and we can take things that have to be done that are important, but that are just not fun off their table and replace them with digital tools and that way enhance the services that they're providing at the same time making their lives better. And that for me, was always the key and the core of innovation is that we use our knowledge or know how and innovation to make people's lives better. And I think for me that's innovation at its best. And if we can contribute a small piece to that, that would be really great.</p>
Leo von Gerlach	<p>OK, this is now an important point to come from the problem to the solution to the digital tool just leading to the questions. What do your digital tools look like? What's your product offering? What are your main products?</p>
Sebastian Lach	<p>The main problem when we did our survey on legal technology was that people were developing products because the machine to put it that way was able to do certain things, which is great if you can, you know, do high jump and you can jump 5 meters high. That's awesome. But if the bar is at 220, the point is really to solve that specific issue and cross that bar. So we kind of turned that around and said you know, what is the problem that needs solving? Not what is the machine able to do? We don't need to shoot for the stars. We need to solve very specific individual problems. And that basically also explains our product portfolios. So what do we do? Again, thinking of problems, things that are onerous, repetitive, we analyze thousands, hundreds of thousands of documents using machines so that people don't have to review those documents. We find laws in many jurisdictions around the world in draft form and the tool basically makes clients aware that there's a regulatory change they've got to prepare for very early on that they can change their business approach to meet those regulatory demands. We have tools that can draft compliance policies. We have tools that can answer questions people may have to those compliance policies so that people don't have to answer all of these questions that are recurring and repetitive. We have tools that automate processes around gifts and hospitalities processes, you know compliance personnel gets the question five times a day. Can I invite this and that person to a meal for \$50.00 in that jurisdiction? If you can automate that, that makes lives easier. People get a response much quicker and people don't have to answer the same question over and over again. And so those are the kind of tools we're offering. We also offer automation of contract negotiation, so you may have heard that for the first time there may be contract negotiations between machines going on so we're being a part of that by automating machines that basically do contract negotiations and we're doing other things. For example, we're creating a patent law tool that analyzes patents, and we do automated NDA drafting. So a whole bunch of things and what is important is that is also part of the vision, because what we've seen is there's a lot of providers on the market that provide one solution, a great solution, no question. But the problem for a company is they will then have for their 27 problems, 27 providers and our vision is to put all of that in one place and that's why</p>

	<p>we've created Craig's Office, which is basically a place where you can find all of those tools in one place in a safe environment that you don't need to go to 27 different people, do not need to manage 27 different people, but you can find everything in one place.</p>
Leo von Gerlach	<p>Well, that sounds like a very broad and deep product portfolio and it's actually a shame that we cannot go into the details of all those products which they clearly deserve, but I understand one of your flagship products is the Regulatory Pilot and you spoke already about just informing clients about changes in law and change is about regulation. So tell us perhaps why this product is so incredibly successful and popular with your clients, and what does it make stand out?</p>
Sebastian Lach	<p>I think again you have to when you talk about this specific product you have to start from, what problem does it solve? And that's always the first question we ask when we start development, what problem does it solve? The problem here is you are a company that operates in, let's say, 80 markets and you have to stay informed about what's going on in those eighty markets. Because if there's a regulatory change, you will not be able to put your product on that specific market. If it doesn't follow those requirements. And so what the tool does it basically, first of all identifies legal sources in those eighty markets. So we basically go to local lawyers either within our firm or any other firm that we're best friends with and ask them what are the best sources we have where we can get data and that's the first thing that's really important when you're talking about the legal technology, it's about quality of information because one of the big doubts about AI is. So what I'm getting here is that an outcome of high quality and that's where we, as lawyers, can really add value by finding the high quality sources, because who would know better where those sources are than us as lawyers. So we go into those markets, find the best quality sources, identify those. Of course they're publicly available and we're allowed to access them and then search those sources and that's where the machine, an automation part starts the algorithm or the tool basically identifies changes in metadata, so even really small changes on the websites and if it identifies changes metadata, it basically collects that specific file that is new because the metadata has changed which gets you a lot of documents. To give you an example, one of our major clients in this space uses this tool for various fields of law and they have about 10,000 documents every month that are identified this way. And this is where the innovation then continues. We then use an AI algorithm that has been trained to the specific industry that this client is in and the specific fields of interest that this client is in. So for example, a life sciences client will have completely different interests in regulatory laws than an automotive client. So it's really trained for the needs of this client as if an actual person of that client would be sitting there selecting the information and we reduce the amount of dockings from 10,000 to 70 every month. So that's a reduction of 9930 documents that somebody does not have to read through. And if that doesn't may make your life better, I don't know what will. And then you get all of these additional things that you can do, translate documents, summarize documents, introduce workflows and that then becomes a tool that basically creates a complete workflow and regulatory compliance that is documented in real time while you're doing it, and I think that's why it's appealing to clients.</p>
Leo von Gerlach	<p>And that's kind of easy to see with the incredible grow of complexity of the regulatory provisions in just so many specialized areas. Keeping track is very hard. And just having that intelligence support makes total sense to me.</p>

Sebastian Lach	Yeah, maybe to add just one more statement on what do the tools do. I think one problem in our information age is that we're just getting too much information now. I mean, it's great to have access to all of this information, but now you really need a tool that solves the problem that you cut through the complexity and kind of point out to your clients what information they really need to look at, what they do not need to look at and that's what a lot of these legal tools basically are doing. They're cutting through the huge amounts of data of information that we have available now and guide us through the information we really need to look at in the digest.
Leo von Gerlach	Yes, touching on something you mentioned earlier, your legal chatbot, Craig, that's also something that is as I understand it, very much attuned to support clients in the very individual specialized fields they are working.
Sebastian Lach	So Craig is basically we take available artificial intelligence, which is smart, but which is not working with legal data. High quality legal data but with any kind of data and which has not been taught to make legal judgment calls. So I always kind of explain it to clients in a way the AI we're looking at right now is like a very smart student that has not studied law and that has not yet read any legal books and legal theory, and what we're doing with Craig. We're basically the university or the college for that very smart student. We're telling them this is the books you need to read, so we're giving them the best data available on legal aspects and we're teaching that algorithm to make legally sound judgment calls. So it's basically kind of like an educational session that we're offering, and that's something that is unique as a law firm that we can offer because we have this knowledge, we have the information and we have the training to teach what the right legal judgment calls are. So then you generate or you calibrate the artificial intelligence to be able to make those calls to be able to use high quality data and then you get tools like the legal chat bots, the contract automation, the monitoring of regulatory resources, because then the algorithm is smart enough to solve legal problems. That leads to Craig's Office, and we say these are different things that Craig can do for you. It can automate your contracts. It can create contracts, it can draft NDA's, it can translate documents. It can summarize documents to distil the legally relevant information. It can create a chronology from a set of document that's actually going to be useful for your day-to-day work, so it's really creating a space, a safe environment with a smart calibrated algorithm that is law smart and that can solve legal problems. But again, will be calibrated to the individual clients' needs, and that's a very important part of IT, clients need solutions that fit to their processes and that deliver outcomes that they can use in their day-to-day if you don't do that it creates frustrations because people can really use the output cannot work with the output. So the whole idea about Craig is not only teaching calibrating the algorithm, but also teaching it what kind of output does this specific client need? And then calibrating the tool in the way that it delivers exactly that output.
Leo von Gerlach	And I would assume that this is an ongoing journey as this training really never stops and can go ever deeper and that you will over time unlock ever more data pools and specify it just pools of information to become ever more precise, to become ever more nuanced in ever more regulated areas.
Sebastian Lach	It is, I would say, a series of sprints with no finish line. So first of all, what does that mean in a series of sprints? We work with every client specifically to define what is it you really need. And so we constantly

	<p>have various projects ongoing, where the client tells us this is what I need and we develop and train the artificial intelligence to deliver exactly that output and it's going to be different every time, but only if you put that work in over time you will get really, you could get results that will create efficiencies because you're actually saving time because you're getting exactly what you need. And why is there no finish line? Because the technology keeps getting better and better and better. And so if your tool is great in year one, it may be completely outdated in year 2. So if you don't keep up with the technology and if you do not maintain your product and keep making it better with maybe a great product in one year may already be outdated in the next, so it's a race without a finish line and it's a series of sprints of different races going on to basically cater to the needs of the clients each and every day and making sure you keep up with the technological development.</p>
Leo von Gerlach	<p>So that sounds almost as if Craig is an all-purpose machine that just sucks in ever more tasks that it's then ready to solve and you spoke already about your other flagship product, the regulatory pilot, in addition to those two, would you see then room for yet another product where you deploy AI models, or would you rather focus on refining those two to another, better extent?</p>
Sebastian Lach	<p>You know, I think there's a lot of products that can still be developed there is, you know, litigation products that you can start drafting legal briefs that are really meaningful. There are tools that we're actually currently working on that creates smart data rooms that you can basically have a conversation with your data room asking the data room questions. What's in there and you can just imagine how useful that would be for corporate and M&A lawyers if they had a data room where they could just ask questions and the data room is smart and we'll tell you what's in that data room. And if there are any problems, red flags buried. So there's a lot of stuff that still has to be done. That has to be accomplished and the answer is every practice group in a law firm will sooner or later be affected, and it will start with simple redundant honorees tasks. And if you ask people make a list for me of three honorees, redundant task in your day-to-day legal work, but my prediction is 80% that those will exactly be the ones that we will replace. So next one is really due diligence, smart databases and things like that. So I think that's what we're going to be doing.</p>
Leo von Gerlach	<p>Alright, I think that's already a good in-road to going from products to the market. So the other side, your customers, how do they react to their products, how do they integrate it in their processes and how do you see their own degree of development, of becoming ever more digitalized in their operations.</p>
Sebastian Lach	<p>So the reactions, there's different people and there are different reactions. I mean some people you can see they're concerned whether this development may in in at some point replace part of their work, or for some people, even what they're doing right now completely. And there's others that embrace it very strongly. And then there's the inbetweeners, and I think the biggest group is really the inbetweeners who are still looking and checking and the big concern is first of all, security, it's robustness of outcomes and it's also what are the tools that I'm going to be starting with. If you look at the situation of an in-house counsel, they're taking a risk by innovating because they're going to get a budget to buy a tool, and if that tool doesn't work and if that tool is basically killed by people that are skeptical about these tools, they're taking a real risk, because if it does not work successfully, if it frustrates people, that's going to be a miss for them internally. So they are taking the risk. So</p>

	<p>they're looking very carefully at a solution that they can start implementing to kind of get first experience on AI to work with AI and see where they can take this. I think there's a lot of people who are taking a very smart approach by not shooting for the stars and, you know, looking for huge sets of products, but really starting small and say let's try this and then if this works, we'll try the next one and that's what I'm seeing. That's where the balance is struck between we have to innovate because they're getting the pressure from the business, the business basically telling them the board is telling them everybody's using AI, everybody's innovating. What are you doing? And the law space cannot be that different, so they're under pressure to do something and at the same time they don't want to fail because that could also be a career limiting move. So what they're doing, I think they're taking careful steps step by step and that's what we're seeing in the real difficulty is to get the trust that you will work together with them and partner with them and get this done together and make this a success. And I think that's the challenge. I think that's where people are. 2024 is really the year where people are saying I'm going to cross the threshold from watching to doing, but I still got to make sure I'm taking. I'm picking the right project to do it with and the right provider the right partner.</p>
Leo von Gerlach	<p>That sounds like very good advice to me to,. In-house lawyers confronted with that risk and just being cautious and considered about measuring how to integrate the tools to an ever deeper degree into their own work and that perhaps leads to the follow up question. How do you see these legal teams develop? How do you see the in-house role develop in times of legal texts? And perhaps how do you see legal services develop on the broader basis given all those transformations we are seeing at the moment?</p>
Sebastian Lach	<p>So I think we are definitely heading towards change and transformation. I also think it's not going to happen as quickly as some people may think it will take a bit more time, but it will happen and what will happen is that we will, as I said before, automate some of the redundant honorees stuff. We will. We were long, long time away from really replacing the lawyer because the AI is just not good enough. Far from it. You will not be able to replace the you know final judgment call the strategizing that will not be possible anytime soon. Also, the interaction with judges and other lawyers. The AI can't do that. So you're going to need lawyers for that. But the preparatory work that is going to change. But I do think people do not have to be concerned or afraid. And why is that? First of all, we're already facing a shortage of talent on the market. So if we can free up some of that talent for work that they don't like doing anyway to do more of the work that they like doing and that we actually need to be done by human experts and brains, that's a good thing because we don't have enough people and we're facing, you know, the demographic pyramid from changing from a pyramid to something else, which basically means we're not going to have as many young, talented people as before because, you know, the birth rate is different. So that's a good thing. And the other thing is it will make us quicker, it will make us more precise, it will to that end enable us to do our job, which is creating justice and social peace through that, in the end, more effective in giving given all and this is becoming a bit philosophical now and given all the turmoil we have and all the discussions we have, creating justice and peace is always a good thing, and for me it's a bit like, you know, that phase when cars are invented and people were worried about but what about all these people that are selling horses? Yes, they did go away, but they have better jobs now. So I think it's going to be there's going to be change. There's going to be transformation, but I'm in the end always optimistic and so I'm happy to embrace this and I do think it's going to</p>

	<p>make our lives as lawyers better and I think it's going to make us more effective and we have an important part in our community. So I think we're going to be able to do better job for that as well.</p>
Leo von Gerlach	<p>I really like that technology, positive technology, optimistic view at the transformation that is coming leading to the next question of the challenges, the roadblocks that may stand in the way to just make this a little bit slower or to impede one or the other positive effects that we anticipate.</p>
Sebastian Lach	<p>I think one of the roadblocks, as always, for any kind of technology is always the concern of people. So that's going to block the speed of development to a certain extent, but it is also good that we have people that raise those concerns because there's also risks in this technology and I am again very confident and again you'll see that I'm an optimist, that if we have those debates and if we permit those debates and let people voice their concerns and really try to persuade them rather than just screaming louder than they're screaming persuade them that process will lead to compromises that will also make this technology safe, which it needs to be. Because if you're creating something that is intelligent, it can become powerful really quickly. So you need certain boundary conditions to that. So I think the roadblocks as always, are, you know, there's things like it's going to eat up a lot of energy. I'm confident we're going to solve that at some point. There's going to be a lot of development work to be done. I think the speed of innovation has increased so much over the last century, we'll get that done. The question is, can we really get people to embrace it? And that means challenges and two sides for the development side, we need to think about the people and their demands and lives and create products for the people that make their lives better and the other side the regulatory side, the regulators have to create smart boundary conditions that do not kill innovation, but set certain boundaries in a dialogue with the developers to make sure we find solutions and that all sounds very smart, but it's not that easy and it's easy to talk about it. But I think those are the going to be the actual challenges as always, to find the right balance.</p>
Leo von Gerlach	<p>Sebastian, I think it's wonderful to listen. How considered and reflective you speak about that change process that we are witnessing at the moment that that's so extremely thrilling to all of us, and I think it has been a terrific pleasure to speak with you and it really, really makes joy to now go and try out this wonderful projects and products that you offer with ultimate, in particular the regulatory pilot and Craig Chatbot and all the other things it can actually deliver. And with that, I would really like to thank you for that interview and I would really like to thank everybody for joining and I hope you join us again for the next session of the influence which is coming up soon. Take care. Goodbye everybody for now.</p>