

What If... Chambers Ranks Law Firms Alongside ALSPs?

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In 2020, Chambers published its first rankings report of ALSPs, found here: [Chambers Alternative Legal Service Providers 2020: Professional Advisors](#). This is not just a sign of things to come, but a vivid reflection of today's marketplace. Coming from an established source of deeply researched rankings and reviews, a source driven by real participation by in-house counsel and clients, this is solid confirmation of the depth and force of market change.

Indeed, the language Chambers uses in this report strongly suggests they are testing their audience's reaction to ranking ALSPs like law firms. We believe it's possible that, in the future, Chambers will rank ALSPs right alongside law firms. It is powerful confirmation of a continued trend by which ALSPs have become a greater force, often in competition with law firms, inside and outside the U.S.

If Chambers faithfully follows the viewpoint and buying habits of its in-house market, it seems almost inevitable that they will eventually blend the rankings, just as the markets in which large law firms and ALSPs have overlapped.

In the Same Market?

For Chambers to rank ALSPs alongside law firms, those ALSPs would need to provide Chambers' audience—largely corporate law departments of significant businesses—with legal services and services closely related to the practice of law. They already do.

ALSPs are not law firms—if they were, the label would be unnecessary. But they do today sell legal services to large businesses and law firms, sometimes in direct competition with law firms.

How can they do that, lawyers may ask? After all, for 100 years, U.S. law has broadly banned nonlawyers from practicing law, nonlawyer ownership of entities that practice law (except in D.C.), and lawyers from sharing any attorney fees. The answer lies in the ambiguity surrounding what constitutes “the practice of law” and in the acceptance by virtually all U.S. lawyer regulators of the “temporary or contract lawyer” model for nonlawyer staffing companies.

First, there are many tasks law firms have performed that need not be done by lawyers. When done by nonlawyers, these tasks are *not* the practice of law. Think document review (under lawyer supervision) for the privileged information, or contract management, or due diligence reviews of a target's vendor or customer agreements. ALSPs routinely provide these services, as nonlawyer services, just like law firms.

Second, beginning with a 1988 ABA ethics opinion, the services of lawyers can legally and ethically be sold directly to clients by a staffing company owned by nonlawyers. Those staffing company-employed lawyers have to be supervised by other lawyers—in-house lawyers or outside law-firm lawyer for the same client. Done right, there's no attorney fee-sharing or unauthorized practice of law involved.

These two factors pretty much define the zone of operations for ALSPs.

So, can ALSPs practice law? Maybe not. But why should a corporate client care, if an ALSP can legally and ethically deliver contract management or due diligence service at a fraction of a Big Law price? Because Chambers focuses its reviews on the needs of big business, it's only natural they will reflect that view of the market for these services.

Different ALSPs Approach Their Market Differently

Some compete as a direct alternative to law firms—faster, better, and cheaper. “We’re not your father’s law firm,” they assert.

Other ALSPs take a broader view, marketing themselves as potential partners with law firms, working with law firms to empower broader and deeper service offerings without expanded overhead. Again, faster, better, and cheaper, *but* with the imprimatur of a law firm brand.

This makes ALSPs and law firms curious combinations of partners and competitors.

But all that strongly supports the conclusion by Chambers that their rankings need to more accurately reflect this emerging competitive marketplace.

Global Rankings for a Global Market?

Chambers could rank both ALSPs and law firms by practice area, especially on a global scale where the U.S. ethics and UPL (unauthorized practice of law) regimes don't universally apply, and where some ALSPs, like the Big Four, have legal arms and affiliate law firms networks.

The Big Four have established separate law firm arms and work in tandem with the accounting and consulting arms through exclusive agreements. [PwC's Belgian arm of PwC Legal](#) reports: “PwC Legal is a separate and independent law firm that entered into a multidisciplinary cost sharing arrangement with PricewaterhouseCoopers Business Advisory Services CVBA... which on its turn is a member of the network of member firms of PricewaterhouseCoopers International Limited.... Neither PwC Business Advisory Services our PwCIL nor any of its members controls, acts as an agent of, or assumes liability for the acts or omissions of PwC Legal...”

For example, [PwC offers Global Employment Law](#) assistance. *Labor & Employment* is a category under which Chambers ranks law firms. Perhaps this category might soon include the Big Four.

New Service Categories

Chambers could also rank ALSPs alongside law firms under categories other than practice areas, perhaps by business model or function.

This year, Chambers ranked ALSPs by business model and function, rather than practice area:

- Contract Lifecycle Management (function);
- Flexible Legal Staffing (model);
- Law Firm LPO (model); and
- Litigation Services (function).

Some ALSPs fall into multiple categories. Law firms fall into some of these, too—for example, one law firm offering flexible staffing through a captive LPO now falls under Chambers’ ALSP category of “Flexible Legal Staffing” for ALSPs. Not surprisingly, the Big Four fall into these categories, too.

How Will Your Law Firm Differentiate Itself?

In this new legal marketplace, law firms are in the midst of rethinking how they differentiate themselves from these new competitors. Do they compete head-to-head with ALSPs in these areas of market overlap, or narrow their offerings to higher-value specialist services? Do they offer flexible legal staffing directly, through an alliance with an ALSP, or not at all? Do they become expert gatekeepers for their clients, helping them evaluate, monitor, and supervise ALSPs? Are ALSPs their friends, their enemies, or something else entirely?

Regardless of their conclusions on these important questions, a dynamic legal services marketplace demands continued vigilance and informed strategic thinking.

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