

Slaughters' tech ally Luminance makes impact but battle for City elite wages

Luminance has shot to prominence unlike any other UK legal tech start-up. But Hamish McNicol finds there is still plenty to do to break into the top of the profession

'We're changing things to the extent Excel changed the way accounting is done,' Luminance chief executive Emily Foges proclaims. 'You can't imagine doing anything financial without it.'

A bold statement, even in a legal market dominated by technology companies professing groundbreaking artificial intelligence (AI) kit, but it is easy to see why Luminance would talk with such ambition. The company has become a law tech darling since its launch little more than two years ago: observers and peers consistently cite it as the UK market's success story to date.

Backing from high-profile billionaire Mike Lynch, founder of Invoke Capital and co-founder of tech giant Autonomy, as well as early investment and support from Slaughter and May (which owns about 5%), helped the brand punch through immediately. And that initial success has resulted in a stream of client wins, with Luminance seemingly announcing a new firm signing every other week. It has grown to more than 120 customers in 39 countries, including 14 of the Global 100 and three of the Big Four accountancy firms. The company was also valued at about \$50m, following a \$10m funding round a year ago, and already has offices in London, Cambridge, Singapore and Chicago.

But penetration at the top end seems more elusive: of the UK top 12, just Slaughters and, more recently, Eversheds Sutherland, have publicly announced their use of Luminance (although the company is adamant more in the top 12 use it). Firms in Asia and Europe – particularly Scandinavia – have proven frequent adopters: there are clients as far away as New Zealand, while recent wins include firms in

Malaysia, Germany, Hungary and Indonesia. Despite this, Luminance has smashed internal customer target numbers, rapidly increased headcount and added new product lines. Foges sees not only an enormous addressable market of law firms and in-house teams, but a distinct product advantage for Luminance.

'The one that trumps everything is the way the technology works. It doesn't take the control away from the lawyer; in fact it gives the lawyer more control. Other technical solutions in the past that have tried to address this problem have required a leap of faith, whereas Luminance is designed to work with you and support you.'

'The technology doesn't take the control away from the lawyer; in fact it gives them more control.' Emily Foges, Luminance



MAKING PEOPLE FLIP

Luminance's genesis in 2015 came following years of research at the University of Cambridge. A team led by chief technology officer James Loxam, who holds a PhD in computer vision and mathematics, developed its AI. The basic idea comes from computers being able to perceive the world like a human, but instead of applying that to computer games, it was applied to reading and language. The team saw opportunity in law but needed somebody to take it to market.

Foges joined in early 2016 after being introduced to Lynch through a mutual contact. Her previous 20 years were spent working with consolidating businesses – most recently Equifax and BT – and she had been looking to run a start-up. Her pedigree is rare for



'It can't totally blow away our process, because it will take ages for us to adapt and people will just be turned off by the thought of doing it.'

Tom Jackson, Eversheds Sutherland

a legal tech start-up boss in that she has no legal background, but her experience in M&A meant she understood the pain point Luminance wanted to address. Improving due diligence was Luminance's initial pitch. She comments: 'I was thinking about ways technology could make that journey better.'

Things moved quickly in 2016. Invoke invested as part of an initial \$3m funding round – the two companies still share a London office – and Slaughters became heavily involved in testing and development. The Magic Circle firm wanted a product that would help streamline the due diligence process. Initial testing saw the technology deployed by the firm using two parallel teams: one deploying Luminance, the other using conventional methods. The first team was at least as accurate and spent 50% less time from day one of the project without any training, far exceeding expectations on both sides.

The product officially launched in September 2016 at an IBA conference in Washington, DC. A key lesson was learned right away, still evidenced in its 88-page prospectus – again, rare for a start-up. Says Foges: 'Our first conference banner had loads of writing on it, like a website. Luckily we had the foresight to make sure it said something sensible, because I thought nobody was going to read it. But they'd all stand back and read all this tiny print on this massive banner before they came to talk to us. Lawyers like to read.'

Despite Slaughters' involvement – some argue because of it – Luminance's early adopters came from Oslo, Amsterdam and Paris, rather than London. The first signed up in November, and it quickly grew to Singapore and Australia. One of Luminance's investors told Foges they would be happy with ten customers by the end of 2017. It got

to 50. Its global growth was in part due to IBA being attended by lawyers from around the world. It was also because Luminance is cloud-based technology that does not require 'taking a bag of screwdrivers' to each law firm to set it up.

But Foges also points to a key feature of Luminance that made global expansion easy: the technology is language-agnostic. Other products have primarily been built in English and are rules-based, meaning particular terms it should be recognising are dictated. But she argues Luminance is true machine learning and can adapt to any language.

A user uploads documents they want to analyse and Luminance identifies the language patterns within those. As the user reviews those documents, they can flag key concepts and the technology suggests other patterns within the set that are statistically similar. As these suggestions are then accepted or rejected, Luminance's understanding of that concept also develops.

'Imagine you have 200,000 contracts sitting on your desk. You read the first one and say: "Hang on, I don't like this." You put a tag on it and then, suddenly, five other contracts in that pile will start flashing red,' says Foges. 'You're seeing more, not less. You're more involved with the contracts. That's the thing that makes people flip because they don't need to trust the technology.'

GETTING OVER THE LINE

Luminance has since added to its stable with the launch of a corporate product for in-house legal teams in June and more recently a discovery tool. The company wants to keep building products and is often informed by how law firms and others use it, regularly referring to itself with the overarching tag of 'the most advanced AI platform for the legal profession'. Law firm clients are charged per gigabyte of documents uploaded to

► the system a month and in-house teams on an annual subscription basis. Luminance says a large number of corporate clients use the diligence technology already, but it recently signed a financial services provider as its first customer.

Raising capital at the end of last year was mostly about increasing headcount: it has grown from two people to more than 50, focusing its latest hiring spree on sales support (people who can speak different languages, despite its technology's need not to). Foges stresses the hard line it takes on hires, with most having a legal background. She cites a training session at a Scandinavian firm, where a young associate suddenly left the room in a meltdown over the lack of paper needed, as justification: 'If it's like that for a young lawyer at a progressive Scandinavian law firm, you can only imagine the shift for a partner in a New York law firm and what they're having to deal with. That empathy and that kind of quality of person on the team is really important.'

There are wins aplenty, but room for improvement, too. Foges will not reveal turnover, but admits Luminance is loss-making – 'We're early stage, we're spending money' – while saying further investment could be sought in the next year. She claims to get daily emails from potential investors. This is particularly relevant given highly-rated competitor Kira Systems – which many claim dominates market share – raised \$50m in private equity backing from Insight Venture Partners in September. Kira was founded in 2011 and boasts a larger and higher-profile client list: it is also perceived to be more lawyer-friendly.

'There are a number of different products in the market that are being used by law firms, but what we're increasingly seeing is firms who already have those products coming and buying Luminance as well,' Foges says.

Luminance's rapid global reach is impressive for such a young company, but attracting the biggest law firms has proven difficult. Some claim Slaughters' investment in Luminance puts other top



'There are a number of different products in the market, but we're increasingly seeing firms who already have those coming and buying Luminance.'
Emily Foges, Luminance

LUMINANCE: KEY STATS

Founded:

2015

Money raised:

\$13m

Valuation:

\$50m

Clients:

More than **120** customersin **39** countriesincluding **14** of the Global 100

Select public customers:

Slaughter and May, Eversheds Sutherland,
Holland & Knight, Bird & Bird, Brodies

Products:

Diligence (M&A), Corporate (in-house),
Discovery (e-discovery)

firms off using it, but Luminance says it has not seen any indications of this.

Then Eversheds Sutherland came to the party in July: the firm still primarily uses Kira in the US, however. The firm piloted Luminance over two weeks in early February 2018 – the standard pilot process – after identifying the company as part of an AI working group of about 30 partners, associates and technologists it set up about a year ago. Eversheds senior legal technologist Tom Jackson echoes Luminance’s ‘more involved, not less’ tagline when describing the attraction to Luminance in a market full

now because they have a base product that’s holding up – you have to admire that approach. We know we can then benefit from having that relationship with them.’

The firm has set no immediate key performance indicators to measure Luminance’s deployment, instead encouraging the use of AI in obvious matters – where a volume of documents (sometimes more than 5,000) require review – before assessing data in six months and determining targets from there. Eversheds cannot see a clear AI market leader, instead opting for technology that provides solutions for ‘right now’.

‘They’re diversifying now because they have a base product that’s holding up – you have to admire that approach.’ Susan Chick, Eversheds Sutherland

of noise: ‘It can’t totally blow away our process and change the way we review documents, because it will take ages for us to adapt and people will just be turned off by the thought of doing it. Luminance was something that complements what we do, rather than entirely changing it.’

The firm wants to use Luminance for its M&A due diligence, as well as commercial contract and real estate review exercises. Jackson says the language-agnostic element was vital to the partnership and Luminance’s expansive client list was an attraction: ‘The fact that it’s been tested and adopted in other countries, sometimes more so than in English, showed us the power of that machine-learning element.’

Luminance’s willingness to partner during the test phase was also important. The firm repeatedly tested updates and took Luminance to clients on top of the initial pilot before signing up. Other firms have criticised the free two-week pilot, calling it overly stringent, but the company counters that the technology can deliver firms value within hours because it only takes minutes to deploy, meaning two weeks is ample time.

Eversheds digital programme manager Susan Chick adds: ‘They’re diversifying

For Foges, timing has been one of the key reasons for Luminance’s initial impact. Firms have been playing with technology and early client wins have a clear snowball effect. There is also the increasing price pressure from clients demanding new approaches. Its prospectus – called the ‘Light Book’ – also features multiple case studies citing large time savings on various projects. Oslo firm BHR, for instance, claims to have reduced time spent on document review by 30%.

Observers point to Luminance’s leadership team as a key reason for its initial success. Foges herself draws particular praise and there is clear heft behind names like Slaughters and Lynch (although the latter faces ongoing legal proceedings after Hewlett-Packard filed a \$5bn fraud suit against him following its \$11.7bn purchase of Autonomy in 2011).

Foges is clear the next milestone will be the landing of big corporate clients on the in-house side, and engaging more of the largest US and UK firms. She notes some customers have taken up to 15 months to make a decision on using Luminance, however, and some pilots have been delayed as urgent work got in the way.

‘It would be good for us to get over the line with more of those massive law firms,’ she says. ‘But massive law firms take a long time to get over the line.’ ■