

## Ethical Analysis and Reflections on Alternative Legal Service Providers

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### Abstract

While traditional law firms remain preoccupied with deliberations over scale expansion, personnel management, and strategic development, Alternative Legal Service Providers (hereinafter referred to as ALSP) have already begun to gradually carve away the most lucrative segments from their overseas counterparts. ALSP constitutes a fragmented market classification that remains in a state of development. It can be broadly categorized into five types: accounting firms, such as the Big Four; monopolistic Legal Process Outsourcing (LPO) companies, such as Clifford Chance; independent LPOs, electronic discovery, and document review service providers, such as DTI and Consilio; suppliers of offering partial or comprehensive services for corporate legal departments (MLS), such as Elevate; and temporary services including contract lawyers, insourcing services, and staffing, such as Axiom.

### Full Text

#### Preamble: Alternative Legal Service Providers and Ethical Analysis

Alternative Legal Service Providers (ALSPs) have begun capturing the most lucrative segments of the legal market while traditional law firms remain preoccupied with questions of scale, personnel management, and strategic planning. ALSPs represent a still-developing and fragmented market category, broadly divisible into five types: accounting firms (the “Big Four”), monopolistic Legal Process Outsourcing companies (LPOs) such as Clifford Chance, independent LPOs and e-discovery or document review service providers like DTI and Consilio, Managed Legal Services (MLS) providers for corporate legal departments such as Elevate, and temporary services including contract lawyers, insourcing, and staffing like Axiom.

Axiom, which went public last year, stands as the most representative player among the multitude of ALSPs. Founded in 2000 by attorney Mark Harris after his departure from Davis Polk & Wardwell LLP, Axiom emerged from Harris’s observation of an “unhealthy” phenomenon in the traditional legal services market. Lawyers at major firms operated under extreme pressure to complete work that received little recognition, while clients paid exorbitant fees to support attorneys who understood little of their business, only to receive advice of questionable value. Harris reasoned that if only one party felt exploited, it might be an isolated hardship, but when both sides remained unsatisfied, the traditional model required fundamental reform. By 2017, Axiom’s revenue exceeded \$200 million—equivalent to the combined income of nearly a hundred law firms that year—with over a dozen offices across the Americas, Europe, and Asia, and more than 2,000 employees including over 1,500 attorneys. In February 2019, Axiom officially listed in the United States with a market valuation of \$350 million. While still modest compared to the overall legal market, Axiom’s scale reflects growing public acceptance of new legal service models, enabling ALSPs to rapidly capture the most profitable portions of traditional practice.

## I. Axiom Overview

Media outlets have aptly described Axiom as the “Didi” of the legal industry—operating like a ride-hailing platform that builds its own “driver” supply pool and technical support system to match clients with the most suitable attorneys in a short timeframe. Prior to its IPO, Axiom split its operations into three entities: the talent company Axiom, the contracts company Knowable, and the managed solutions company AMS. When the platform receives complex legal work that cannot be simplified, the talent company Axiom matches corporate clients with the most appropriate attorneys or teams. Knowable, which combines legal expertise with artificial intelligence, focuses on repetitive tasks including contract drafting, negotiation, and execution. AMS handles work that requires no human involvement whatsoever, relying solely on machine learning and automation.

The New York Times characterized Axiom as attempting to “rewrite the law firm business model.” Axiom’s innovation lies not in technological breakthroughs but in its disruption of traditional legal business models. The conventional law firm operates as a pyramid, with a small number of attorneys earning substantial incomes at the apex while the majority at the base perform low-value work, and those in the middle struggle to staff matters both upward and downward. Axiom’s flexible working hours and freedom to select assignments naturally attract attorneys from the middle layers of this traditional pyramid, and through its clear business model and professional operational methods, Axiom has solidified its leadership position among ALSPs.

Pyramid Model vs. Future Lawyerless Rocket Model

## II. Background and Realistic Demand for ALSPs

1. Information explosion, regulatory and compliance requirements, and globalization have created legal demand that exceeds economic growth. Law has become integrated into daily business operations rather than serving merely as a “logistics support department.” This vast market demand has revealed commercial opportunities, drawing more participants into legal services provision.
2. Clients, accustomed to consuming “always-on instant services,” have generated demand for technological solutions in the legal market.
3. Cost reduction imperatives drive adoption. Legal service technologies—such as AI-assisted legal issue diagnosis, automated document generation, workflow and project management, and document analysis—represent new efficiencies that enable attorneys to reduce fees. Online legal guides and machine prediction technologies have commodified powerful, reliable legal assistance, making it available free or at low cost. For clients who can obtain legal guidance and documents online, these services pose low-cost competition to traditional consultative, face-to-face legal counseling.
4. Strong financial backing provides critical support. Legal AI is a capital-intensive industry. Compared to traditional models dependent on partner contributions and external borrowing, ALSPs hold financing advantages. Partnership capital bases are limited to partner wealth, and in an era of increasing lateral mobility, partners uncertain of their own or colleagues’ future plans may be unwilling or extremely cautious about investing in long-term firm needs, as they would be liable for firm debt if others withdraw. Capital-constrained firms consequently stagnate.

## III. Analysis of Advantages

For attorneys, Axiom retains only a fixed percentage of fees while providing a continuous stream of matters, naturally attracting many lawyers to join. However, becoming a contract attorney is not easy. Like ride-hailing platforms that evaluate vehicle condition and driver experience, Axiom maintains strict selection criteria to ensure service quality. With branches across many global regions, Axiom screens applicants based on work experience and practice area through multiple layers of evaluation, admitting only 5% of applicants. Most attorneys possess over 15 years of experience, with full-time lawyers earning approximately \$200,000 annually.

For corporate clients, Axiom abandons traditional hourly billing in favor of annual or project-based fees, typically 25-50% of large law firm rates. Clients can purchase temporary legal services products according to their needs, substantially reducing legal costs. Many Fortune 500 companies including HP, Vodafone, and even Google are Axiom clients.

For the platform itself, because attorneys are directly placed at client sites or

work from home, Axiom does not need to provide office space. This eliminates the need to lease expensive commercial real estate in core business districts like traditional firms and removes various operational expenses, dramatically reducing overhead costs. This mutually beneficial “cloud law firm” operational model enabled Axiom to achieve profitability in its second year.

## IV. Risk Analysis

### (I) Conflict Between Legal Professionalism and Legal Commercialism

Primary opposition to ALSPs centers on the conflict between core legal professional values—public service, altruism, ethics, independence—and commercial profit motives. As U.S. Supreme Court Chief Justice Rehnquist stated: “Lawyers are a delicate mix of merchant and priest,” a mixture that embodies the central conflict between legal professionalism and commercialism. The perennial question in legal career development persists: Are lawyers merchants or missionaries?

Professor Ji Weidong elaborates on legal professional attributes in his book *The Construction of Legal Order*: “The definition of liberal professions such as lawyers, which require specialized knowledge and a sense of mission, was originally combined with sacred proclamation and oriented toward a discourse community, fundamentally incompatible with market economy principles that evaluate everything by monetary value. Although liberal professions require economic income like other occupations—even higher income to liberate themselves from economic pressure to better pursue public service—high income is not the primary purpose but merely a consequential result. For those engaged in law, medicine, and clergy, the most fundamental value is the spirit of public service.” In modern Western society, the legal professional class was even elevated by the state as an intellectual aristocracy to counterbalance vulgar commercial civilization and populist politics. Here, human rights and justice become the legitimacy foundation of the legal profession.

ALSPs’ commercial operation in pursuit of high economic income may diminish lawyers’ social image to some extent. As the boundaries of legal practice become blurred and weakened, attorney behavior under the ALSP model becomes another form of commerce. As Lawrence Fox states: “If Walmart could own a law firm, it would be the end of the legal profession; we would merely become another set of service providers.”<sup>1</sup> The commercial profit principles advocated by external investors often create unavoidable conflicts with attorney professional ethics. Decisions influenced by non-lawyer professionals can impact lawyers’ independent judgment, and the loss of professional independence means weakening one side of the originally balanced adversarial justice system, inevitably affecting social fairness and justice. Simultaneously, competitive pressure in the legal services market may force attorneys to choose between professional ethics and

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<sup>1</sup>2 Trio of Federal Suits Challenge Ethics Rule That Stops Private Equity Investment in Firms, 27 ABA/BNA Law. Man. Prof. Conduct 382 (2011) (quoting Lawrence Fox).

individual livelihood, thereby threatening clients and public interests. Therefore, ALSPs require further regulation to prevent profit motives from eroding legal professional ethics.

## **(II) Conflict of Duties**

The conflict of duties between attorneys and non-lawyer personnel stems from different modes of obligation. Private attorneys serve as confidential consultants and agents for clients, generally serving specific client interests through zealous advocacy, thereby achieving adversarial balance in the litigation system. Consequently, attorneys are granted privileges to fulfill confidentiality obligations. However, some non-lawyer personnel providing legal services in ALSPs, such as tax advisors and accountants, certify public financial statements that reflect corporate financial conditions. Independent certified public accountants assume public responsibilities beyond their employment relationship with clients, deriving from CPAs' loyalty to corporate creditors, shareholders, and the public. This "public watchdog" function requires CPAs to maintain independence from clients and complete fidelity to public trust. The conflict between these two professions thus becomes inevitable, insurmountable, and irreconcilable.

## **(III) Cultural Identity Challenges**

Non-lawyer professionals providing legal services affect lawyers' own culture. Attorneys' professional culture and value orientation permeate every aspect of legal service delivery. The mainstream group in traditional legal services consists of lawyers who, through unified education and professional training, easily develop common professional spirit and legal faith, jointly maintaining the dignity, reputation, and honor of the legal community. While non-lawyer professionals can diversify legal services, their different professional backgrounds may conflict with existing legal professional culture, making it difficult to build cohesion. Under the ALSP model, can the cultural homogeneity that the legal profession has long cherished be preserved, or does it transform into a legal machine centered on scale and efficiency?

## **V. Learning from Others**

Currently, Chinese alternative legal service providers concentrate on primary-level legal services, relying heavily on technological assistance while rarely involving high-end legal professional content. Examples include companies such as Faxian, icourt's alpha system, Fadada, Falv Zhinen, and Fagougou. Recently, a dark horse has emerged in cross-border and domestic commercial legal services—Hetong Robot. Its cross-border contract drafting and review products advance further toward the high-value end of legal services, focusing on international transaction markets. Through legal product content assisted by machine learning and natural language technology, Hetong Robot consolidates the expertise and experience of cross-border and cross-industry legal experts,

addressing pain points such as the lack of quality contract templates and experience in identifying risks in English contracts for enterprises expanding overseas, attracting foreign investment, and conducting domestic transactions. Several investors have already extended olive branches to Hetong Robot.

The road ahead remains long and arduous. China's ALSPs currently face numerous regulatory gaps, requiring further analysis and improvement of supporting systems regarding their nature and positioning, regulatory authorities, entry thresholds, and professional responsibilities. As the proverb states: "Stones from other hills may serve to polish jade." In addressing these issues, inspiration may be drawn from the development of Axiom and ALSPs in the United States. However, given fundamental differences in national character and social systems between China and the United States, simple imitation would be "cutting feet to fit shoes." Instead, we must "tailor" solutions rooted in China's national conditions to contribute to the liberalization of China's legal services market and the greater development of the legal profession.

*Note: Figure translations are in progress. See original paper for figures.*

*Source: ChinaXiv — Machine translation. Verify with original.*