

## LEGAL INNOVATION

*Legal Innovation* explores the impact of technology on the legal profession and societal change. Reflecting contributions from an international group of experts, the volume provides a comprehensive overview of the challenges and opportunities facing the legal profession today. With a particular focus on artificial intelligence, the book covers a wide range of topics, from dispute resolution and corporate governance to financial services and regulatory oversight. The conversational style of the chapters makes the content accessible while still maintaining academic rigour. This book is an essential read for policymakers, academics, lawyers, entrepreneurs, regulators and students who are interested in legal innovation and its impact on the legal profession as well as anyone interested in the intersection of law and technology. This title is also available as Open Access on Cambridge Core.

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# Legal Innovation

CONVERSATIONS ABOUT TECHNOLOGY,  
THE LEGAL PROFESSION AND SOCIETAL CHANGE

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## Foreword

*Kazuhiko Yamamoto*

This book is a compilation of the lectures and discussions on legal innovation held at Hitotsubashi University in the year 2021. All contributions were updated in 2022 (with some additions in 2023) and further texts were added. The lectures were not limited to the Faculty of Law but were open to students of other faculties. They were conducted online due to the COVID-19 pandemic. The lectures were part of a joint research project titled ‘Legal Systems and Artificial Intelligence’ between Hitotsubashi University in Tokyo and the University of Cambridge. Given the nature of this collaboration, the project also involved many lecturers from other countries, particularly the United Kingdom. The results of this project are reflected in this lecture series.

In the words of Professor Mihoko Sumida, who is one of the outstanding organisers of this lecture series as well as the aforementioned joint research project and who demonstrates exceptional conceptual abilities, ‘We want to tell the students, who will be the next generation, exactly how the world of “law” is changing, and we want to give them the opportunity to think about and explore the concept of “legal innovation” together, at a stage when the concept has not yet been properly established.’ It is strongly intended to prevent students and readers from turning into ‘great white sharks that have been washed up on the beach’. Even organisms that have been optimised for survival in a certain environment become helpless when the existing environment is completely changed. Accordingly, even though it is important to study law based on the current environment in depth, what is more important is to equip students with the ability to cope with any change in the environment. This awareness of the problem must have made Professor Sumida work hard to realise this lecture series.

With this in mind, the methodology of the lectures and the book was to expose students and readers directly to a variety of issues. Although many of these issues are based on new technologies (digitalisation, artificial intelligence, etc.), as Conversation 4 (‘What Can We Learn from the Okawa Elementary School

Tsunami Litigation?') clearly shows, legal innovation is not necessarily limited to technology in the narrow sense. Rather, legal innovation also includes the creation of new legal interpretations. In a sense, the book rejects the systematisation of legal innovation and confronts readers with the practice of various 'live' innovations, expecting them to develop their imagination and creativity. The question-and-answer sessions with the students reflected in the chapters, in which we see their bewilderment but also their joy at being confronted with new 'knowledge', are testimony to the success of this lecture series.

The contents of this book are, as mentioned earlier, extremely diverse. They include dispute resolution (Conversation 2), corporate governance (Conversation 5), law enforcement and financial regulation (Conversation 6), and the transformation of law firms (Conversation 7). The chapters provide a kind of 'battlefield diary' of the debaters who are at the forefront of their respective fields and who are trying to achieve innovation in the face of major environmental changes, particularly digitalisation. The readers will feel a sense of worry that they are becoming 'great white sharks' but also a sense of excitement at being on the frontline of innovation. The specific findings from Japan and the United Kingdom are useful, but what is more important is the methodology used by each of the commentators to confront the issues. Naturally, the methodologies vary from one commentator to another (e.g. in Conversation 5, Professor Sumida expresses some discomfort with the idea of 'functional equivalence' presented by Professor Kozuka). This, however, is not surprising, and the lack of a common methodology is in itself a characteristic of innovation. The reader has no choice but to develop their own methodology, with this book by their side.

Needless to say, the lectures on which this book is based are aimed at students, but the book itself is an essential read not only for students but also for anyone involved in 'law' in the broadest sense. Lawyers, judges, corporate lawyers, government officials and alternative dispute resolution (ADR) and other legal advisors stand to benefit from this book. They should first read the chapters on topics relevant to them and then expand their interests to include other areas that the book discusses. Additionally, we would like to encourage people in the sciences, such as data scientists, to pick up a copy of this book. We hope that many of them will enter the new professions discussed in Conversation 3 or become legal engineers who will support new law firms, as elaborated in Conversation 7.

Lastly, the part of the book that made the greatest impression on me was where, in Conversation 5, Mr Takuya Izumi of the Ministry of Economy, Trade and Industry (who also has a science background), quotes Heisenberg as reported by Professor Iwao Nakatani of Hitotsubashi University as follows:

[O]nly those revolutions in science will prove fruitful and beneficial whose instigators try to change as little as possible and limit themselves to the solution of a particular and clearly defined problem. Any attempt to make a clean sweep of everything or to change things quite arbitrarily leads to utter confusion.

As rightly captured by this quote, innovation is always based on the accumulated wisdom of our predecessors. Hence, traditional legal education in universities is extremely useful. At the same time, it is also important to pay attention to the finer points of practice, without which innovation is not possible. In this sense, the theme of Conversation 8, ‘Will Digitalisation Help the Five Billion People without Meaningful Access to Justice?’, is pertinent. This book will give all readers the opportunity to make such a contribution. This is why I recommend it to all those interested in the law and its innovation.

## Preface

This book is an experiment. It addresses the complex topic of legal innovation with a specific focus on technology, the legal profession and societal change. Particular consideration is given to artificial intelligence. The style of this book is, however, different from the typical form of academic publications. The chapters come in the form of conversations. Leading experts from ministries, international organisations, academia, legal practice, start-ups and regulators present their thoughts and comments and engage in discussions with a group of students. The topics dealt with remain challenging, but we hope that the style of presentation makes the book an accessible and entertaining read.

Why are we interested in legal innovation? Recent technological advances are transforming the way we use and experience law and the justice system. Artificial intelligence is used to predict the outcome of court proceedings and legal chatbots explain the law. However, it is not only technology impacting the law; law can also facilitate innovation and even effect it. We wanted to discuss this transformation with those making the law, advising clients and analysing current changes. Hence, we invited experts, mainly based in Japan and the United Kingdom, to offer their perspectives on legal innovation.

What topics does this book cover? The chapters investigate the motivation and conditions for legal innovation, the impact of technology on dispute resolution, corporate governance, financial services and regulatory oversight. The conversations also address the success factors and barriers for entrepreneurs and legal practitioners innovating the law. A final round table brings together policymakers for a discussion about the impact of technology on access to justice. Legal innovation is considered from a range of perspectives including not only legal considerations but also economic, environmental, social and justice viewpoints.

Why are we presenting this book in the form of conversations? All experts presented their views in a setting that involved comments and questions. The sessions took place in 2021, in the midst of the COVID-19 pandemic, via

videoconferencing. Key presentations were followed by comments from other experts. Then, students of Hitotsubashi University, Tokyo, were invited to ask critical questions. When we looked at the transcripts of the eight sessions, we thought that there is a special value in the conversational form. It reveals how experts are searching for answers in a fast-moving field and the discussions bring out interesting contrasts and nuances.

How did the session transcripts become this book? We changed as little as necessary. Hence, the chapters are documents of conversations that took place at a certain time, in the first half of 2021. While the speakers reviewed the chapters, no rewriting took place. However, we have cleaned the language for a better reader experience. Selected figures and slides from the presentations are included, and a few footnotes referring to useful information have been added. The texts reflect the dynamic between speakers and students, and we hope that the conversational style reflects well the joint effort to explore legal innovation while giving room for different perspectives. As editors, we have added a concluding conversation to each chapter and a list of questions for further thought.

Finally, we would like to thank all speakers and students contributing to the conversations. They all shared their thoughts in an open atmosphere driven by curiosity. We had the best speakers we could hope for. We are also grateful to the outstanding translators of NHK Global Media Services, who made communication possible and provided us with the transcripts that became the starting point for this endeavour. This book is part of the UK Economic and Social Research Council (ESRC) and Japan Science and Technology Agency (JST) funded project on ‘Legal Systems and Artificial Intelligence’. We also received generous financial support from the Graduate School of Law of Hitotsubashi University and Newnham College of the University of Cambridge. We would like to thank the team at Koubundou with whom we have published a prior version of this book in Japanese in 2022. Last, but not least, we are grateful to Matt Gallaway and Jady Fauconier-Herry of Cambridge University Press, who guided us expertly towards publication. Nikhil Purohit and Quentin Schäfer have provided excellent editorial assistance.