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Navigating Jurisdictional Boundaries: Traditional Lawyers vs. Legal Tech Firms in the German Legal Services Market

Die Bewältigung jurisdiktioneller Berufskonflikte: Die Anwaltschaft im Wettbewerb mit Legal Tech-Unternehmen auf dem deutschen Rechtsdienstleistungsmarkt

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Abstract: The recent rise of legal tech firms has led to significant changes in the German legal services market, challenging the quasi-monopoly of traditional lawyers. Our paper explores this evolving relationship between legal tech firms and traditional lawyers in Germany, focusing on how these groups compete, cooperate, and forge distinct professional identities. Drawing on Andrew Abbott's theory of professions, we examine whether there is a jurisdictional conflict between them, i. e., whether they compete for the same work-related tasks. By conducting semi-structured interviews with individuals working in the field and a document analysis of relevant public statements and legal texts, we find that there is at least some degree of jurisdictional conflict, albeit limited to a specific segment of the legal services market, particularly tenancy law. In addition, legal tech firms have developed work practices that differ significantly from those of traditional lawyers, emphasizing automated workflows and largely eschewing in-person consultations. These novel practices have also led to the emergence of a new identity for legal tech entrepreneurs, one that emphasizes entrepreneurship and consumer advocacy. Despite the differences and conflicts, there currently appears to be a cooperative division between traditional lawyers and legal tech companies, suggesting functional interdependence in certain market segments.

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Zusammenfassung: Der aktuelle Aufschwung von Legal Tech-Unternehmen hat zu erheblichen Umwälzungen auf dem deutschen Rechtsdienstleistungsmarkt geführt und stellt damit das Quasi-Monopol der Anwaltschaft in Frage. Dieser Beitrag untersucht die Beziehung zwischen Legal-Tech-Firmen und konventionellen Anwält*innen in Deutschland und konzentriert sich dabei auf die Art und Weise, wie diese Gruppen miteinander konkurrieren, kooperieren und unterschiedliche berufliche Identitäten herausbilden. Auf der Grundlage von Andrew Abbotts Theorie der Berufe wird dabei analysiert, ob es zwischen diesen Gruppen einen sogenannten „jurisdiktionellen Konflikt“ gibt, das heißt ob sie um dieselben Arbeitsbereiche konkurrieren. Die Auswertung von semi-strukturierten Expert*inneninterviews mit Personen, die in diesem Bereich tätig sind, und einer Dokumentenanalyse relevanter öffentlicher Stellungnahmen und juristischer Text zeigen, dass es zumindest ein gewisses Maß an Jurisdiktionskonflikten gibt, wenn auch nur in einem begrenzten Segment des Rechtsdienstleistungsmarktes, insbesondere im Mietrecht. Darüber hinaus haben Legal Tech-Firmen Arbeitsmethoden entwickelt, die sich deutlich von denen herkömmlicher Anwält*innen unterscheiden, indem sie den Schwerpunkt auf automatisierte Arbeitsabläufe legen und persönliche Beratungsgespräche weitgehend vermeiden. Diese neuartigen Praktiken haben auch zur Entstehung einer neuen Identität für Legal Tech-Unternehmer*innen geführt, die das Unternehmertum und Verbraucherschutz in den Vordergrund stellt. Trotz der Unterschiede und Konflikte scheint es eine Arbeitsteilung zwischen traditionellen Anwält*innen und Legal-Tech-Unternehmen zu geben, was auf eine funktionale Interdependenz in bestimmten Marktsegmenten hindeutet.

Keywords: Legal Tech, Sociology of Law, Professions, Jurisdictional Conflicts, Legal Market, Lawyers

In recent years, legal tech companies have become an important part of the German legal landscape. Initially, these firms focused their efforts on specialized areas of law, such as tenancy law and air passenger rights. However, legal tech firms are increasingly transcending these boundaries and making inroads into a wide range of legal areas and applications (Quarch & Engelhardt 2021: 38). Consequently, the term “legal tech” has become something of a buzzword (Wagner 2020: 5). Our work aims to enhance the academic understanding of this evolving phenomenon.

Central to this transformation are the digital tools developed by legal tech firms, which promise to bridge the gap between the traditional legal profession and the digital realm. Legal tech companies claim that they enable citizens to conveniently pursue specific claims through user-friendly online portals, thereby removing barriers to entry and reducing overall costs. However, this phenomenon

has also raised concerns, particularly among traditional lawyers, who are worried about the future of their quasi-monopoly in the German legal services market. As a result, bar associations have accused legal tech companies of prioritizing profit over the fundamental “core values” of the legal profession, including independence and ethics over mere profit maximization (BRAK 2020). The conflict between the two professions is so crucial because it has far-reaching implications for the future of the legal profession, potentially redefining the role of lawyers – or even questioning their continued necessity – in a rapidly digitising landscape. As a result, bar associations have filed multiple lawsuits against legal tech companies and their practices in an attempt to define which legal services can only be performed by a human lawyer and which can be handled by machine learning algorithms (Rehage 2023). Although a new law was introduced in 2021 to regulate legal tech companies and align their organisational structure with existing regulations for legal practitioners (Glusdak & Scholz 2023: 68), it is uncertain whether the government has succeeded in creating a level playing field between the two professions.

The aim of this paper is threefold: First, we want to explore the evolving landscape of the legal services market in Germany by examining whether the aforementioned dispute between traditional lawyers and legal tech firms is fundamentally a jurisdictional conflict. A jurisdictional conflict occurs when two or more professional groups compete for authority in a particular area of expertise. This concept stems from Andrew Abbott’s theory of professions, which posits that a given profession is not characterized by specific traits but rather by how it interacts and competes with other professions (Abbott 1986, 1988). In this context, determining whether such a conflict exists will help clarify whether legal tech firms should be recognized as a distinct profession within the legal field. Second, we want to further investigate the possibility that legal tech entrepreneurs have a novel professional identity by examining their work practices, i. e., how they approach the work that traditional lawyers also perform. Finally, we will examine whether these groups have settled into a new arrangement and whether such a settlement is likely to persist for the foreseeable future.

Our overall thesis is that legal tech companies have emerged as a profession distinct from traditional lawyers in Germany and have successfully engaged the latter in a jurisdictional conflict. This conflict has manifested in two primary ways: first, through intense public opposition and arguments from bar associations against legal tech firms, and second, more significantly, through the lodging of lawsuits against these companies, which have largely been unsuccessful for the bar associations. This conflict has been resolved through a division of labour in which both professions are increasingly functionally interdependent, although there are ongoing disputes. Moreover, given the rapid digital developments, the current arrangement may become tenuous in the coming years.

This study is the first to examine the emergence of legal tech companies and their jurisdictional conflicts with traditional lawyers in the context of the German legal services market. There is extensive previous research on the role of legal professionals and the impact of digitization on their work practices (Fenwick & Vermeulen 2019; Susskind 2010; Susskind & Susskind 2023), but the contributions targeting specific national legal services markets have largely focused on Anglophone or Nordic countries (Kronblad & Jensen 2023; Sako et al. 2022). Furthermore, while there are a number of studies on the rise of German legal tech companies from the perspectives of political science (Rehder et al. 2021; van Elten & Rehder 2022), economics (Kind et al. 2019; Mina et al. 2022) and doctrinal legal research (Völzmann 2020), there is little socio-legal research available (Günther & Wrase 2023), especially in the area of the sociology of professions. This paper therefore aims to fill this research gap and expand the literature on how professions in the legal field adapt to digital transformation. Furthermore, the professional disputes arising from digitalization in the legal field offer valuable insights that can be applied to other professional domains.

In the following, we begin by outlining our theoretical framework, summarizing Abbott's theory of jurisdictional conflict and work practices. We then describe our methods before turning to our analysis. Finally, we conclude the study by summarizing our thesis and discussing its implications for the future.

Theoretical framing

Contrary to the conventional viewpoint in the sociology of professions, which tends to highlight specific traits of occupational groups (Kritzer 1999: 716), Abbott's theory of professions (Abbott 1986, 1988) offers a more nuanced perspective. This theory is grounded in two core concepts: First, professional practice involves ongoing jurisdictional disputes between occupational groups vying for control over specific work-related tasks (Abbott 1988: 59; Trosow 2001: 2). Second, occupational groups transform these tasks into "professional problems" through three specific processes – which Abbott characterizes as diagnosis, treatment, and inference (Abbott 1988: 40–52). The ability of a profession to assert a new jurisdictional claim significantly hinges on whether it holds a competitive advantage in any of these characteristics. We will briefly discuss these two key ideas below.

Jurisdictional conflicts

Jurisdictional claims, as argued by Abbot, lie at the heart of occupational competition within professional fields. According to him, “interprofessional relations are potentially the central feature of professional development” (Abbott 1986: 189). A thorough understanding of professions’ identity and evolution thus depends on grasping the conflicts among various occupational groups to establish and maintain control over specific work-related tasks and responsibilities (Freidson 1989: 425; Saks 2010: 895).

Abbott emphasizes that jurisdictional boundaries and social entities are mutually constitutive (Abbott 1995: 860). Rather than boundaries strictly preceding social processes, these boundaries are actively shaped and reinforced through social practices and professional interactions. Hence, whenever a new jurisdictional boundary is drawn, “a profession asks society to recognize its cognitive structure through exclusive rights” (Abbott 1988: 59). These exclusive rights are established and maintained through social processes and encompass aspects such as sole practice privileges, control over public payments, autonomy in employment, and authority in training, recruitment, and licensing (Abbott 1988: 59).

Jurisdictional boundaries are typically claimed before different audiences, such as the state, the public, or the workplace (Abbott 1986: 191). A significant portion of professional activity involves harmonizing these three realms of jurisdiction (Abbott 1988: 191). Whether or not a claim to jurisdiction will endure for an extended period of time in part depends on the audience to which the claim is made. In general, successful claims in front of the state (such as those enshrined in laws or court rulings) are more durable than those that are asserted in front of the public or in the workplace. Moreover, jurisdictions can only be precisely demarcated in the legal sphere, while they are only moderately defined in the public sphere, and frequently quite ambiguous within the professional workspace (Abbott 1986: 191). Defining jurisdiction with precision is crucial, as vague descriptions can lead to jurisdictional conflicts and provide opportunities for newcomers to assert rights, potentially undermining established boundaries (Kronblad & Jensen 2023: 101; Noordegraaf 2020: 206–207).

Professions can resolve jurisdictional conflicts through settlements. These can result in a wide variety of outcomes. According to Abbott, besides the claim to full and final jurisdiction, competing professions can settle their claims by resorting to methods like subordination, division of labour, sharing practice areas, intellectual or advisory control, and task jurisdiction based on clients when clear boundaries cannot be maintained to prevent overlap (Abbott 1988: 69). Nevertheless, it is crucial to stress that the pursuit of full jurisdictional control – i. e., a professional monopoly – is the primary objective for most professions, as such claims are typically underpinned by legal norms that restrict other occupations from competing for the relevant work and “shape the very public idea of the tasks that the profession does”

(Abbott 1988: 71). This is especially true of the legal profession, which strives for exclusivity or full jurisdiction by claiming superior competence (Moorhead 2014: 7–14) and is strictly governed by government regulations as well as self-regulation, compliance with which is monitored by professional associations (Abbott 1988: 106; Noordegraaf 2011: 468). In reality, however, full and final jurisdiction is rarely held by a single profession – even in the legal domain (Francis 2020: 72; Walker 2004: 262–263). Indeed, many professions have some control but are not fully dominant in their respective jurisdictions (Abbott 1986: 191). Moreover, even long-standing monopolistic claims to jurisdiction are not infinite and may be challenged if environmental shocks occur (Abbott 1986: 192–193).

Work practices

In addition to jurisdictional claims, a profession is also characterized by how it applies its specific knowledge in practice. Thus, the identity of a profession is determined by its (contentious) relationships with other occupational groups as well as the work practices that distinguish it from other professions (Kronblad & Jensen 2023: 101; Reay et al. 2017: 1045–1046). Work practices are characterized by Abbott through three steps: diagnosis, treatment, and inference (Abbott 1988: 40–52).

Diagnosis, treatment, and inference are the three distinct yet interrelated tools of how a profession subjectively addresses problems and translates them into work-specific tasks that are exclusive to their jurisdiction. This sequence of classifying problems (diagnosis), analysing them (inference), and then taking action (treatment) “embodies the cultural logic of professional practice” (Abbott 1988: 40). In the first step, diagnosis refers to the identification and categorization of problems within a particular domain. In order to address the problem appropriately, any elements that fall outside the jurisdiction of the respective profession are removed – including emotional or financial considerations related to the individual involved (Abbott 1988: 41). While diagnosis categorizes information into a profession’s knowledge system, “treatment brings instructions back out from it” (Abbott 1988: 40). In this sense, treatment is concerned with classifying a system of various solutions to the problem. Due to heuristics inherent in each profession, different problems often receive the same treatment if they share a common characteristic. Thus, the ultimate aim of every profession is to reconcile the diverging diagnosis and treatment classifications (Abbott 1988: 45). Lastly, inference comes into play “when the connection between diagnosis and treatment is obscure” (Abbott 1988: 49). The predominance and nature of inference have an impact on the maintenance of jurisdictional boundaries and the legitimacy of professions (Abbott 1988: 51). If inference is needed in virtually all cases, it is difficult to legitimize a profession. Conversely, if inference

is largely eliminated, the profession becomes prone to being replaced by automation (Kronblad & Jensen 2023: 102). If, for example, a system using sophisticated artificial intelligence algorithms could reliably predict the chances of a claim being successfully enforced in court, and even offer to write the relevant briefs, it would raise questions about the continued necessity and authority of the legal profession.

Methods

The analysis is based on semi-structured expert interviews and a document analysis drawing on case law and the statements from German professional legal associations. The relevant empirical material on legal tech firms was collected as part of a research project investigating access to justice for citizens of Berlin. Overall, we carried out 41 semi-structured interviews with legal experts and persons working in counselling organisations in the fields of German consumer law and tenancy law between April and July 2021¹.

Out of the 41 interviews, we conducted eight with legal tech entrepreneurs and lawyers specialized in legal technology. These included interviews with representatives of legal tech firms operating in the field of tenancy law and air passenger rights law in Germany. While eight interviews provide only limited insights from the legal tech professional perspective, it is important to note that the pool of eligible interview partners in this field is relatively small. Because these companies are tech companies as much as legal ones, a great number of their employees are IT professionals. While it could be interesting to interview those who do the daily work of developing the software and creating algorithms, the answers they could provide would address other research questions concerned with the actual practices of digitalization of legal conflicts. In order to learn about the relationship between legal tech organisations and the traditional legal field, we spoke to the key actors who are the main drivers of the start-ups and thus gained valuable insights into their self-representation and self-image.

To better understand how legal tech entrepreneurs are perceived by more traditional actors, we analysed our 33 further interviews with judges, judicial officers, lawyers and staff of independent advice or anti-discrimination offices.² While the

¹ The interviews are part of the research project “Access to Justice in Berlin” at the Berlin Social Science Institute (WZB) led by Michael Wrase.

² The interviews were conducted with judges from district courts (“Amtsgerichte”), which have jurisdiction to handle an extensive array of legal issues and are typically the lowest tier of the judicial system in Germany.

interviews with non-legal-tech professionals did not focus solely on legal tech issues, we always included questions about their perspective on the role of legal tech in their daily work. Judges, landlord, and tenant lawyers were especially familiar with legal tech mechanisms and shared their views on them.

In order to guide our interviews, we created a problem-centred framework through a deductive approach, drawing on insights acquired in both the ongoing fieldwork and extensive literature research. We asked questions on how the interviewees' professional careers develop, on their motivations, on their daily work, on the issues they see when it comes to accessing justice and on what they think could improve the issues they mentioned. This approach helped us to engage with the interpretative patterns articulated by the experts in depth. We conducted most of the interviews online due to the COVID-19 pandemic. Typically, each interview involved two researchers engaging with a single interviewee for 60-90 minutes. Before recording, we obtained written consent from all participants, who confirmed their willingness to participate and consented to data processing. The recorded interviews were subsequently transcribed and subjected to anonymization, while video recordings were securely erased. These transcriptions underwent a qualitative coding process, meaning we applied a combination of deductive and inductive analysis, facilitated by the use of MAXQDA software (Kuckartz & Rädiker 2022; Rädiker & Kuckartz 2019).

This systematic approach to collecting and analyzing interview data serves as the foundation for our broader analysis of the growing importance and underlying conflicts surrounding legal tech firms. Rather than relying solely on expert interviews, we combined these insights with a comprehensive document analysis of regulatory materials, official reports, court decisions, and statements from professional legal associations. All documents were systematically reviewed to identify relevant references to jurisdictional claims and conflict indicators – such as press statements by lawyers' associations that emphasised the monopoly of lawyers and insisted that legal tech should be more tightly regulated. This allowed us to complement the interview data and develop a comprehensive picture of the regulatory landscape.

Analysis and findings

In the following analysis, we will attempt to empirically trace the response of the two conflicting professions at hand – traditional lawyers and legal tech firms. We will conduct the analysis in a quasi-chronological order, beginning with the status quo of the legal profession and how the grip of German lawyers on their jurisdiction has recently been loosened. We will then examine the rise of the competing profes-

sions, namely legal tech firms, to discover whether they have adopted distinct work practices and identities. Finally, we will consider whether there is indeed an active jurisdictional conflict, and if so, in which fora it has played out and under what circumstances both professions might have come to a new jurisdictional settlement.

There is an important caveat to the concept of professions as used in this paper. We argue that the potential jurisdictional conflict between traditional lawyers and legal tech companies in the German legal services market is an “inter-professional” conflict, i. e., a conflict between different professional groups with different working practices and identities – in this case between the legal tech services providers and traditional lawyers. In contrast, “intra-professional” conflicts – namely disputes within a single professional group – can also arise and lead to the fragmentation of a previously unified profession (Boateng & Adams 2016: 36; Malcolm & Scott 2011: 514). While the term “legal profession” is often used colloquially as though it refers to a single, cohesive group, this does not accurately reflect the reality of the German legal services market, where various professional groups perform distinct tasks and operate under different legal constraints. It follows that inter-professional conflicts are more relevant to the analysis presented in this paper.

Forces opening the jurisdiction

Understanding the process of opening and contesting an established jurisdiction is crucial when examining a potential jurisdictional conflict. External forces, particularly technological and organisational changes, may result in the opening of an existing jurisdiction by either establishing new work-related tasks or destroying old jurisdictions (Abbott 1986: 193; Sako et al. 2022: 144). In the case of legal tech firms, both technological changes and organisational structures contributed to either opening up the existing jurisdiction of traditional lawyers or creating new types of work for legal tech firms.

Starting in the late 2000s, legal tech firms began to emerge and reshape the German legal services market (Kilian 2021b: 676). Today, legal tech companies are operating in more and more areas of the law – especially where certain repetitive processes can be automated – and offering a wide range of services to a diverse array of clients (S. Breidenbach & Bußmann-Welsch 2023: 811). It follows that these heterogeneous groups cannot be portrayed as unified actors that always pursue the same goal. Instead, there are a number of theoretical frameworks that aim to categorize legal tech tools and their firms in distinct categories (Mina et al. 2022: 3–10). In the present paper, we draw on Goodenough’s categorization, which distinguishes legal tech applications on the basis of three progressive stages and numbers them accordingly (Goodenough 2015). Legal tech 1.0 comprises basic digital support tools

for the everyday business of lawyers, like research aids, document automation, online education, webinars, and law firm management using digital media (Wagner 2020: 15). Legal tech 2.0 introduces more disruptive elements – such as automated case handling and online dispute resolution with the involvement of chatbots – that seek to replace human labour in day-to-day legal business operations (Martinetz & Maringele 2020: 4–5; Mina et al. 2022: 4). Finally, legal tech 3.0 envisions the full replacement of lawyers, including their central role as legal service providers, with advancements like smart contracts and AI-based legal services, although this vision is still far off from being fully realized (Martinetz & Maringele 2020: 5).

For the purposes of our analysis, we will primarily focus on legal tech 2.0 tools and the firms that deploy them, since they are the most relevant actors in the contemporary German legal market, both in terms of market share and public awareness. It is worth emphasizing, however, that there are other actors that are similarly transforming the workflow of legal professionals (Mina et al. 2022: 38–40) and thereby are also opening up the dominant jurisdiction of lawyers of the legal services field. Nevertheless, these legal tech 2.0 firms are especially important as they best exemplify how technological change can impact the jurisdictional boundary of a profession, which was previously thought to have an uncontested dominant role. Furthermore, if we examine the current legal services market in Germany, we see that most law firms have already adopted many legal tech 1.0 tools. However, the adoption and integration of these tools into the business of law firms has not led to jurisdictional disputes, as these technological changes have not been sufficient to open up the dominant hold of lawyers on the legal profession. It was not until the introduction and establishment of legal tech 2.0 tools that the underlying structures of the profession were destabilized.

Although digitalization has helped these firms to open the jurisdiction, there are also other factors at play, most notably organisational structural changes (Abbott 1988: 93). New organisational structures may give rise to new professions when “people who occupy equivalent positions in equivalent organisations band together, pool their knowledge, and organize occupational group that ultimately become independent of the originating organisation” (Abbott 1988: 93). In the context of German legal tech firms, it is notable that many of the most prominent companies became successful by bypassing the traditional organisational model of law firms and establishing their firms as collection services – the so-called “Inkassomodell” (Glusdak & Scholz 2023: 61)

According to the experts we interviewed, most of the founders of the legal tech 2.0 firms came from the same professional background – they were trained as lawyers – and were eager to improve legal services by utilizing digital tools (Legal Tech Entrepreneurs A, B, and C). This observation is consistent with previous research showing that legal tech firms tend to be run by lawyers rather than IT

specialists (Rehder et al. 2023: 209). These (former) lawyers, who acted as legal tech entrepreneurs, faced a significant barrier in the German regulatory framework, which prohibits law firms from accepting the outside investment that is often necessary to establish the infrastructure to support novel legal tech tools (Dahns 2023: 318). In light of these restrictions, legal tech entrepreneurs have adopted a strategic workaround by structuring their companies as collection service entities (Glusdak & Scholz 2023: 65–75). Under this arrangement, if the company's algorithm indicates that there is a high probability of successfully enforcing a legal claim, customers can opt to transfer ownership of the claim to the collection service entity, which is essentially the legal tech firm itself. In cases where the enforcement of the claim proves successful, the company takes a portion of the proceeds as a contingency fee. It is worth considering that traditional lawyers were not legally permitted to engage in this practice until recently (Mina et al. 2022: 27). Consequently, by bypassing the traditional organisational structures in the German legal services market and gathering relevant knowledge about digital solutions, legal tech entrepreneurs were able to challenge the dominant jurisdictional link established by traditional lawyers.

Work practices of the legal tech firms

Technological and organisational changes have indisputably impacted the legal services industry in recent decades. However, there is a question as to whether legal tech firms have actually challenged the prevailing jurisdiction, which has only slightly opened up, or if they have created entirely new modes of professional engagement that run parallel to the jurisdiction of traditional lawyers. If the latter is the case, there would, in fact, be no genuine jurisdictional dispute. In order to gauge whether there is a contested boundary, it is important to recall that professions contest jurisdictional boundaries in relation to subjective work qualities, i. e., how they “construct” the problem of their work (Abbott 1986: 190). As a result, it becomes imperative to examine the work practices adopted by legal tech firms, comparing, and contrasting them with those of traditional lawyers to ascertain whether overlapping areas of conflict exist. In this section, we will therefore the utilization of the concepts of diagnosis, treatment, and inference by German legal tech firms.

Traditional lawyers typically initiate their diagnosis process by examining the issue of funding (Kronblad & Jensen 2023: 106). In contrast, legal tech firms first examine whether their system is able to process a client's claim, which is generally transmitted through the service's website. As legal tech companies primarily operate by pursuing a large volume of standardized and potentially successful cases, it is of the utmost importance to the legal tech firms to identify appropriate claims: “[Legal

tech firms' approach] is primarily driven by economies of scale, meaning that with twenty similar cases, we have correspondingly lower unit costs" (Legal Tech Entrepreneur B).³ Consequently, since most legal tech 2.0 firms specialize in specific areas of law for claim enforcement, their diagnostic tools are more narrowly focused yet fairly precise (Hähnchen et al. 2020: 628). According to the interviewees, this streamlined case processing approach allows them to efficiently manage a substantial caseload, primarily comprising smaller claims for damages and compensation, which are often financially unviable for traditional lawyers (Legal Tech Entrepreneur A & B). Due to the algorithm-based processing of cases, legal tech companies typically decline unclear or especially complex cases. For example, one judge interviewed described that in her experience, legal tech companies *"only [accept] cases that are one hundred percent certain. All the [cases] where there might be a bit more argumentation needed, they don't do that at all"* (District Court Judge A).

Legal tech firms' treatment process of legal problems likewise differs substantially from that of traditional lawyers. While traditional lawyers spend a considerable amount of time giving face-to-face advice to clients, there is no such personal relationship between the legal tech firm and the client (Wrase et al. 2022: 37). This distance between the legal tech firms and customers then also manifests itself in court, as the customers are typically not present at the court hearings. One judge we interviewed saw this as a fundamental problem, as the client is effectively removed from the legal issue. For instance, *"[t]here is a conflict between the landlord and tenant, but it is being dealt with without the tenant, which is why the tenant does not come to court. Nothing can be resolved. Nothing can be discussed, and nothing can be agreed for the future"* (District Court Judge B).

However, the owners of legal tech firms do not perceive this personal disconnection as a disadvantage. On the contrary, a legal tech entrepreneur we interviewed argued that many clients actually prefer this process because it allows them to avoid the emotional and time-related burden of closely monitoring the progress of their case. *"For 99.9% of [customers] there is no need at all [for a personal consultation], because the claim is relatively clear and they just like to have it enforced"* (Legal Tech Entrepreneur B). This sentiment was affirmed by another interviewee, who stated that the clients seldom requested personal advice, as they preferred to limit their personal involvement as much as possible (Legal Tech Entrepreneur A).

Although a significant proportion of legal tech companies' cases end up in court, their core business model is based on the expectation that a considerable number of cases can be resolved out of court. However, successfully enforcing claims in courts

³ All direct quotes from the interviews were translated by the authors. Those quotes are italicized. All interviewees have been anonymized and marked with their job descriptions and a letter.

is also necessary for legal tech companies for two main reasons. First, in order to successfully enforce such large numbers of similar claims, legal tech companies must act as “repeat players” in legal proceedings, meaning “a unit which has had and anticipates repeated litigation, which has low stakes in the outcome of any one case, and which has the resources to pursue its long-run interests” (Galanter 1974: 98). This, in turn, means that legal tech firms must regularly be involved in numerous legal proceedings to uphold the requisite procedural expertise and therefore retain their competitive edge (Günther & Wrase 2023: 743–744). By contrast, such a tactic would often be financially unsustainable for a conventional lawyer. As one legal tech entrepreneur put it: *“A lawyer always takes the out-of-court settlement [...]. If he has three or five air passenger rights cases a year, it never makes sense for him to put that energy into a case that goes through all the [judicial] instances and takes several years”* (Legal Tech Entrepreneur C).

Second, successful lawsuits are integral for obtaining favourable precedential rulings, especially in complex or ambiguous cases, as they can influence the resolution of many similar cases through out-of-court settlements (Legal Tech Entrepreneur B & C). For instance, since landlords know that legal tech companies file and win a large proportion of rent control cases, landlords are more likely to settle disputes out of court in favour of tenants (Legal Tech Entrepreneur A). Similarly, airlines tend to cooperate more readily with established legal tech companies and will typically pay the requested damages, knowing that the legal tech company will sue for the claim if necessary. According to one interviewee, *“it shows that an airline in particular, which is very focused on cost and efficiency, sees an out-of-court settlement as an attractive solution. We can only speculate about their thinking, but there is obviously a recognition that it is worth not letting the cases escalate in court”* (Legal Tech Expert B).

The process of inference also differs for German legal tech firms compared to more traditional lawyers. As Abbott notes, inference is necessary when there is an unclear link between diagnosis and treatment (Abbott 1988: 49). For legal tech firms, inference is almost obsolete in most cases, as the systematic screening of appropriate cases at the diagnostic stage generally prevents firms from taking on complex cases that require extensive inference. In cases where a client’s claim does end up in court, some inference will be required, although this task is typically not performed by the legal tech firm and is instead delegated to a retained law firm (Kilian 2021a: 609). Even then, inference is limited because most pleadings that end up in court often consist of the same frequently reused text modules (District Court Judge D).

The near absence of inference has significant implications for the work practices of legal tech firms. First, it means that in cases where the diagnosis is correct, the treatment is highly likely to be precise and therefore achieve the client’s initial

objective. Second, this rigid system also results in a treatment that is usually limited to a few legal services and is generally inflexible when it comes to more complex cases. Third, the lack of inference makes the profession more vulnerable to automation (Kronblad 2020: 102), a point that becomes even more salient when we consider the recent rise of artificial intelligence chatbots based on large language models (Marchant 2017: 21). Finally, the relative absence of inference also suggests that legal tech firms are positioning themselves as product-based rather than service-based law firms (Legal Tech Entrepreneur B & C). Arguably, a profession that is generally framed as a “service” requires more inference than one that specializes in a “product”. Some of the legal tech entrepreneurs interviewed emphasized that they view themselves as offering “products” or “packages” that clients can buy for a (relatively) fixed fee, provided that the firm is successful in enforcing the claim: *“I think what distinguishes [legal tech companies] is that they have professional marketing, they have an IT infrastructure behind them, and they always try to think in terms of the legal product and not treat every client as a new individual case, so to speak, and thus offer efficiencies and, if things go well, a better product at possibly more attractive prices [...]”* (Legal Tech Entrepreneur B).

Ultimately, the way German legal tech firms carry out diagnosis, treatment, and inference starkly contrasts with the approaches traditionally adopted by lawyers. As a result, legal tech entrepreneurs have also adopted a distinct professional identity that shapes how they perceive themselves and other actors in the legal services market (Kronblad & Jensen 2023: 109). This professional identity is directly affected by the recognition that “technology is an integral part of the fact of work” (Orlikowski & Scott 2008: 466) and that legal tech companies are more adept at responding to external pressures, such as technological developments (Pareliussen et al. 2022: 113). They are also more likely to see themselves as businesspeople or start-up managers (Legal Tech Entrepreneur A). Furthermore, one interviewed legal tech entrepreneur indicated that his work as a legal professional is informed by ideals of consumer protection advocacy: *“This topic of consumer protection or this general theme of David versus Goliath – [...] because there’s always such an imbalance in consumer protection, right? That’s definitely something that’s always driven me”* (Legal Tech Entrepreneur C). This characterization, by contrast, is heavily disputed by some of the judges and lawyers interviewed, who underlined the profit-driven nature of legal tech firms and their owners. One judge we interviewed said that *“[...] the strategy of [a prominent legal tech firm in tenancy law] is very clear: they want their fees. That is very obvious. [...] My sense is that they’re primarily concerned with their own profits, not the clients they’re representing”* (District Court Judge C). In any case, the discussion surrounding the role of legal tech firms underscores that the new identity of legal tech entrepreneurs is not rigidly tied to a single occupational group (Caza & Creary 2016: 280).

Although legal tech firms and traditional lawyers have developed distinct professional identities and work practices, this does not necessarily mean that there is no jurisdictional dispute between these groups. Both groups have separate identities and professional modes, but their jurisdictions still overlap to some extent and are therefore subject to jurisdictional claims from both sides. This can be explained by two factors. Firstly, diagnosis, treatment, and inference differ between legal tech firms and traditional lawyers, with more pronounced differences being evident in certain areas. However, in other domains, the approaches of both professions hardly differ at all (Kronblad & Jensen 2023: 108). Thus, it cannot be argued that both professions work entirely separately. Secondly, both professions are competing for a significant portion of the same pool of clients seeking to enforce a specific claim. For instance, there are both legal tech firms and traditional lawyers that are offering to enforce rent control claims in front of German courts (Legal Tech Expert C). Consequently, there is an apparent area of conflict, which we will examine more closely in the following section.

Area of conflict

Jurisdictional conflicts involve claims to a particular type of work (Abbott 1988: 59). Thus, when two professions compete for certain work-related tasks that they can both perform – by using different work practices – there is a jurisdictional conflict. The area of conflict always concerns the subjective quality of the work (Abbott 1986: 190), i. e., how each profession understands and constructs its approaches to solving the relevant work-related tasks. To examine how German legal tech companies compete with traditional lawyers, we will concentrate on tenancy law because that is where the jurisdictional conflict is most apparent.

The objective aspect of tenancy law in the German legal services market at the current moment can generally be summarized as the organisational challenge of managing a tense housing market that is characterized by a low supply of rental units and constantly rising rents – especially in high agglomeration areas (P. Breidenbach et al. 2022: 1). Traditional lawyers translate this objective aspect into subjective work tasks, i. e., they use their specialized legal knowledge, within the framework defined by the state, to assist citizens who wish to enforce a particular tenancy claim. This type of work typically consists of legal advice, out-of-court representation, and representation and enforcement of claims in court. In the case of enforcing the German rent control law, which aims to curb rent increases in tight housing markets (Artz 2015: 1575–1576), this entails meeting and consulting with the client several times, possibly inspecting the apartment, corresponding with the landlord, and filing a lawsuit.

The work practices of legal tech firms differ significantly from those of traditional lawyers (Kronblad & Jensen 2023: 106–114). If a client seeking to enforce the rent control laws were to hire a legal tech firm, there would likely be no face-to-face meetings and most communication would be limited to email (Legal Tech Expert A). Yet, there is a jurisdictional conflict as both traditional law firms and legal tech firms compete for clients seeking to enforce rent control claims. In order to further this conflict, we must determine what type of jurisdictional conflict has occurred.

According to Abbott, there are three types of jurisdictional conflicts (Abbott 1986: 195). The first type of conflict occurs when a jurisdiction is expanding, either quantitatively or qualitatively. A jurisdiction is expanding quantitatively if it is able to offer more services in previously unclaimed markets, while a qualitative expansion signifies that a jurisdiction is professionalizing and thereby typically being dominated by big business or government work (Abbott 1986: 195). Regarding the enforcement of rent control claims, there has been neither a quantitative nor a qualitative expansion. Traditional lawyers have not expanded their business into new areas because the state has limited their scope of practice through legislation (Brüggemann 2020: 28–31). Although some law firms have begun to explore new technological avenues to serve their clients, they are still limited to the same three basic functions – legal advice, representation outside court, and enforcing claims in court. Furthermore, while the German legal services market has seen the emergence of large law firms in recent decades (Luschin 2010: 30–33), these firms are mostly focused on commercial law (JUVE 2023) and would rarely accept a private client seeking to enforce a small tenancy law claim.

The second type of jurisdictional conflict arises when current jurisdictions prove inadequate to sustain a profession. This may lead to its members seeking alternative employment options (Abbott 1986: 195). Again, this type does not adequately capture the conflict between German legal tech firms and conventional lawyers. The current jurisdiction for German lawyers is capable of supporting the vast majority of its members, though there are notable disparities in salary (Hies & Güntner 2023: 24). Germany has a low unemployment rate amongst lawyers, and numerous law firms are actively seeking qualified personnel (Hies & Güntner 2023: 23). Additionally, legal tech entrepreneurs who left traditional law firms to start their own businesses likely did so because they saw a more profitable opportunity, not just because their previous profession was financially unsustainable.

Finally, the entry of groups offering equivalent services at lower prices represents the third type of jurisdictional conflict (Abbott 1986: 195), and is the type most likely to fit our case of legal tech firms contesting the jurisdiction of traditional lawyers. As we have described above, the newly established business model adopted by legal tech 2.0 firms in Germany – which is based on acting as a collection service entity – allows the firms to offer much lower prices to clients than the fees typically charged by lawyers

(Wagner 2020: 3). Under German law, lawyers' fees and disbursements are precisely regulated, so lawyers cannot undercut each other when charging clients for certain services.⁴ Moreover, even if the lawyer's fees are kept to a minimum, the client has to pay an advance on the court fees (Marquardt 2022: 54) and faces the considerable risk of having to pay the entire court fees and the opposing lawyer's fees if they lose the claim (Groß 2018: 310–311). For instance, if an individual wants to enforce a claim worth 250 euros, they risk incurring costs of around 500 euros, depending on the circumstances (Hartung 2020: 8). Furthermore, consumers are generally only willing to pursue a claim if the total value is above 2000 euros (Vatterrodt 2014: 37). This sentiment was echoed by a legal tech entrepreneur in the area of air passenger rights: *"There was a problem with access to justice, because consumers simply said – hey, I'm not rationally interested, why should I sue Ryanair and put three hundred, four hundred euros on the table when I want two hundred and fifty euros, I'm just not going to do that"* (Legal Tech Entrepreneur B). The financial obstacle at hand is known as "rational disinterest", which refers to the tendency of individuals to refrain from pursuing damage or reimbursement claims when the disadvantage suffered is minimal. This is due to the perception that the necessary effort outweighs the potential benefits, from the perspective of the injured party (Bundesregierung 2018: 13).

A central component of the business idea behind legal tech companies is to counter this rational disinterest of consumers by offering their packaged services for a contingency fee⁵ that must only be paid if the claim is successfully enforced (Kleine-Cosack 2022: 379–380). Until 2021, when the new law on legal tech firms was adopted, German lawyers were not allowed to offer contingency fees, which is why legal tech entrepreneurs initially chose to incorporate their companies as collection service entities. As a result, they attracted a considerable share of citizens who were seeking to enforce their tenancy or air passenger rights claims at marginal cost – which usually amounts to 20 to 30 percent of the awarded claim (Meller-Hannich 2023: 30).

4 According to Section 49b, paragraph 1 of the German Federal Code for Lawyers (Bundesrechtsanwaltsordnung – BRAO), "[i]t is not permissible to agree or to charge fees and expenses which are lower than those provided for in the Lawyers' Remuneration Act (Rechtsanwaltsvergütungsgesetz), unless otherwise provided in that Act." Translation provided by the German Federal Ministry of Justice, available online: https://www.gesetze-im-internet.de/englisch_brao/englisch_brao.html#p0351 (last accessed: 7 December 2023).

5 According to Section 49b, paragraph 2 of the German Federal Code for Lawyers, contingency fees are "[a]greements on the basis of which remuneration or its amount is made dependent on the outcome of the case or the lawyer's success, or based on which a lawyer is paid part of the amount recovered". Translation provided by the German Federal Ministry of Justice, available online: https://www.gesetze-im-internet.de/englisch_brao/englisch_brao.html#p0351 (last accessed: 7 December 2023).

On balance, legal tech companies have improved access to specific claims in the field of tenancy and consumer law in the German legal services market by offering their “packages” at comparatively low costs (Günther & Wrase 2023: 755). They have also been quick to capitalize on a new German law that introduced a model declaratory judgment action and helped bundle thousands of claims related to the Volkswagen emissions scandal (Kluth 2018: 403; van Elten & Rehder 2022: 9). At least for now, legal tech companies are still limited to offering their services in specific areas of the law where appropriate legal opportunity structures exist and where their algorithms can classify the relevant information for the case (Günther & Wrase 2023: 750). However, a survey of the existing legal tech 2.0 sector in Germany demonstrates that it is not operating in a niche but rather is continuously expanding (Mina et al. 2022: 40). In some legal fields, such as air passenger rights and rent control law, legal tech firms are likely to be among the most prominent repeat players in German civil courts. For example, one judge estimated that at least 60 to 70 percent of all air passenger rights cases are filed through legal tech firms (District Court Judge D). In 2023, air passenger law claims increased by 80 percent over the previous year – largely due to legal tech companies, which has put an enormous strain on the courts responsible for adjudicating these claims (LTO 2024). This trend highlights an emerging overlap and competition between legal tech firms and traditional lawyers in specific areas of legal practice (Kilian 2021a: 609), resulting in an active jurisdictional conflict.

Another indicator of an active jurisdictional conflict is the presence of complaints by one professional group. According to Abbott, such complaints signify two aspects: “first, that [the professionals] consider the jurisdiction important enough to fight for it, and second, that the jurisdiction is open enough to invasion to encourage poaching” (Abbott 1986: 202). In our case, there have been vociferous complaints and protests against the actions of legal tech companies and the legal reforms that ultimately legalized the companies’ business model. In particular, the professional associations of lawyers – the German Federal Bar (BRAK) and the German Bar Association (DAV) – were particularly vocal during the debate on the Legal Tech Act of 2021. Despite the dominant position of conventional lawyers in the German legal services market, the growing popularity of legal tech companies has unsettled the traditional players in the legal field. BRAK and DAV were especially critical of the fact that the new law would undermine the lawyers’ monopoly. According to BRAK, the new law threatened to “undermine the core values of the legal profession and thus the principles of the rule of law” (BRAK 2020). In addition, the legislation was criticized for legalizing the practice of contingency fees in Germany and thus further opening the legal services market to more malign market forces. For example, BRAK argued that the introduction of contingency fees would lead to “conflicts of interest between lawyer and client, as the lawyer becomes an investor in the mandate and thus a party to it” (BRAK 2020).

Why did the professional associations express such complaints, considering that legal tech companies presently engage in direct competition almost only within highly specialized segments of the legal market – segments often overlooked or inadequately serviced by traditional legal practitioners? BRAK's appeal to the "principles of the rule of law" can be explained on two grounds. First, the legal profession claims a special type of exclusivity (Francis 2020: 71). The legal profession asserts this exclusivity as an autonomous field by controlling the boundaries of a "reified" normative system (Davies 2017: 28). For this reason, the protests have been so vocal, even though there have not yet been any significant economic losses for traditional lawyers. A 2021 survey of lawyers has shown that law firms competing with legal tech firms have so far lost relatively few clients (Kilian 2021b: 677). Instead, there has been "some loss of actual cultural jurisdiction" (Abbott 1986: 198) or the fear that the existing jurisdiction will be challenged in the future on similar premises. Second, the professional associations' complaints are both a way of framing their self-identity ("self-casting") and a mechanism for portraying the competing profession ("altercasting") (Bucher et al. 2016: 518). For one thing, lawyers self-cast their authoritativeness by implicitly positioning their own profession as the guardian of the "core values of the legal profession" and the rule of law. Additionally, they altercast legal tech companies by problematizing their business model and thereby aiming to delegitimize their position in the legal field (Bucher et al. 2016: 518).

Audiences

Whether or not a jurisdictional claim is successful partly depends on the audience before which the claim is made (Abbott 1986: 191). Typically, claims are made before the public, the state, or the workplace. In the jurisdictional conflict surrounding legal tech firms, claims have been made in the public and the state arenas; specifically, in the latter case, they have been presented during judiciary proceedings.

Claims to jurisdiction before the public were made by both sides – by traditional lawyers and legal tech firms. Lawyers primarily relied on their professional associations to advance the claim that legal tech firms are undermining the legal profession and the rule of law (see above). The vehement public declarations from these associations stem from a belief that asserting jurisdiction is about exerting legitimate control over a specific type of work. This control means that professionals have the freedom to perform their duties as they see fit and the power to exclude other workers if they consider it necessary (Abbott 1988: 60). Thus, in order to make a successful jurisdictional claim, a profession that sees itself as embattled must make strong proclamations about the competing profession. This is especially true because the nature of the discourse in the public arena is particularly limited and tends to be simplistic (Abbott

1988: 61). It follows that such claims in the public arena are somewhat exaggerated and portray the group's own and the competing professions as more homogenous than they are in reality. This partly explains why opponents of legal tech firms have been so vocal in their complaints, even though there are many lawyers who benefit from these firms by cooperating with them in one way or another (Kilian 2022: 40).

Legal tech firms have also made their case to the public, albeit using different tactics: advertising. Abbott notes that when new market entrants offer equivalent services at lower prices – the third jurisdictional conflict type – they often target the public audience through extensive advertising endeavours (Abbott 1986: 195). As legal tech companies are not bound by the relatively strict prohibition on advertising for lawyers in Germany, they have launched large-scale advertising campaigns (Legal Tech Entrepreneur B). Whether these campaigns have been successful in the sense that the public now fully recognizes legal tech firms as performing the same tasks as traditional lawyers in Germany – and thus accepts the new jurisdictional boundaries – is difficult to gauge and therefore remains to be seen. Nevertheless, in a 2022 poll, most of the population expressed a positive attitude toward legal tech applications and their potential to handle legal matters without the need for lawyers, using only digital solutions (Gebhard & Sommer 2022: 23).

Although both traditional lawyers and legal tech firms made jurisdictional claims before different audiences, the state audience has proved to be the most important one. In the jurisdictional conflict in the German legal services market, the state audience has emerged as paramount because it is the only audience that can modify the strict professional rules governing jurisdictional boundaries – which are typically not subject to rapid change – either through new case law or legislation. The courts, which are part of the state audience (Abbott 1988: 62), have been most instrumental in recognizing the new jurisdictional boundaries. This is particularly true for the Federal Court of Justice, Germany's highest civil court. According to one of the entrepreneurs we interviewed, legal tech companies have long recognized that strategic litigation is not only part of their business model but also relevant for securing their market position (Legal Tech Expert B). Legal tech firms are willing to litigate small claims that are not normally profitable, through all judicial instances in order to uphold further jurisdictional boundaries (Legal Tech Entrepreneur B). In 2019, the Federal Court of Justice issued its Lexfox I decision, in which it for the first time affirmed that legal tech firms are indeed operating within the legal mandate granted by the rules on collection service entities, thereby validating their practice of using contingency fees and drawing up new jurisdictional boundaries. Since then, the Court has repeatedly confirmed its relatively liberal attitude towards legal tech companies in other cases (Meller-Hannich 2023: 31).

It is also worth noting that many of the lawsuits have been initiated by lawyers' associations in order to limit the growth of legal tech companies. As a result, tradi-

tional lawyers and legal tech companies are trying to appeal to judges, highlighting that they regard the judiciary as a particularly important audience in this jurisdictional conflict. In an interview, the president of BRAK explained the nature of the lawsuits against legal tech companies: “Our aim in these lawsuits is to repeatedly determine in court where we need to draw the line, where we as a society value the involvement of a lawyer and where a machine can take over tasks” (Rehage 2023).⁶ Although the BRAK has been largely unsuccessful, as many rulings have favoured legal tech companies, it continues to try to influence the state audience. In 2024, the German government initiated a process to critically review the 2021 Legal Tech Act. During that process, the BRAK issued a statement in which it claimed that the existing Legal Tech Act not only massively weakened the status of lawyers, but is also detrimental to consumer protection (BRAK 2024: 3). The BRAK argued that major reforms are needed to prevent further blurring of the line between traditional lawyers and collection service providers (BRAK 2024: 4–5). The association of German legal tech companies strongly disagreed with this statement, pointing out that the BRAK’s assertion that legal tech companies are detrimental to consumer protection contradicts the available evidence (Legal Tech Verband Deutschland 2024: 2–5). Thus, according to the German legal tech association, the existing regulation should remain in place as it provides legal certainty for consumers and debt collection entities. This case illustrates how the jurisdictional conflict has become particularly salient, with both sides actively arguing over existing boundaries and how they want the next iteration of the law to resolve the jurisdictional conflict in their favour.

Settlement

Jurisdictional disputes are resolved through settlements. The question remains whether the recent rulings of the Federal Court of Justice and the subsequent introduction of new legislation have resulted in a settlement that will maintain stability in the field and deter challenges from any profession in the near future. To assess this, we must identify the nature of the settlement reached. According to Abbott’s typology, jurisdictional settlements exist on a spectrum ranging from full jurisdiction, where the dominant profession exerts maximum control, to client differentiation, where its influence over jurisdictional boundaries is most diminished (Abbott 1988: 69).

⁶ Translation provided by the authors.

While most professions strive to have full and final claim over one particular type of work, in our case, German lawyers' monopoly on providing certain legal services had been gradually eroded; this even occurred prior to the emergence of legal tech companies (Kleine-Cosack 2014: 5–7). Recent court rulings and the 2021 Act have further chipped away at the traditional lawyers' jurisdictional dominance (Kleine-Cosack 2019: 6). Legislators' motivation behind the 2021 Act was to level the playing field for both legal tech companies and traditional lawyers (Remmert 2023: 30). In practice, this means that the new law defines the role of collection service entities more concretely (Offermann-Burckart 2023: 109–111), and tightens the requirements for the registration and operation of legal tech companies. Conversely, the law also permits lawyers to charge contingency fees – previously only allowed for debt collectors – although lawyers may not charge more than 2000 euros in contingency fees (Rücker & Bell 2022: 470). Moreover, the ban on litigation funding for German lawyers remains in place; litigation funding is only permitted in the context of out-of-court debt collection.

At present, both professions appear to have reached a common arrangement akin to Abbott's concept of "intellectual jurisdiction", where "a profession retains control of the cognitive knowledge of an area but allows (or is forced to allow) practice on a more-or-less unrestricted basis by several competitors" (Abbott 1988: 75). While German lawyers do not hold an absolute monopoly over the legal services market, they remain the sole profession authorized to represent clients in courts, thereby holding a unique position as "independent agent[s] of the administration of justice". By contrast, legal tech companies are limited, as they are unable to offer legal advice beyond basic debt collection procedures (Lemke & Schmidt 2023: 358). In this sense, fully qualified lawyers under German law retain intellectual dominance within the realms of legal advice and representation in court. This intellectual claim is also deeply rooted in German legal culture and is unlikely to change in the near future.

However, the claim to intellectual jurisdiction implies that traditional lawyers could indeed exert a certain degree of control over market conditions. While traditional lawyers undoubtedly possess significant professional privileges, recent legal developments have largely benefited legal tech companies and failed to establish a truly equitable playing field (Kilian 2022: 40–41). According to recent court rulings, the law does not unilaterally protect lawyers from competition from legal tech companies. Instead, the courts have emphasized that the laws governing the legal profession and the provision of legal services are primarily intended to protect individuals seeking justice (Meller-Hannich 2023: 31; Remmert 2023: 49). Moreover, while the 2021 Act technically legalises the practice of charging contingency fees for both traditional lawyers and legal tech companies, asymmetric market conditions remain, as lawyers and legal tech entrepreneurs face vastly different barriers to entry

(Kilian 2022: 40). On the one hand, becoming a fully qualified lawyer in Germany requires the completion of a lengthy training program, often spanning nearly a decade, and adherence to strict professional rules. On the other hand, the establishment and operation of a debt collection company requires only 120 hours of training and minimal professional licenses and obligations (Kilian 2022: 40). In this context, the DAV has stated that although it is not opposed to legal tech applications in principle, it demands that such automated legal services may only be offered by fully trained lawyers (DAV 2019). In contrast, the judges of the Federal Court of Justice have confirmed that they do not consider these asymmetric market conditions to be unlawful because the legislators can subject traditional lawyers and debt collection companies to different regulatory measures, even if they operate in the same market. However, these skewed market conditions, at least in some segments of the German legal services market, undermine the notion that traditional lawyers actually exercise some kind of intellectual dominance that denotes a degree of control – beyond mere claims of cultural jurisdiction – over professional boundaries.

Instead of an intellectual jurisdiction, the conflict between traditional lawyers and legal tech firms is more likely resolved through a division of labour settlement. This arrangement entails a conflict being “followed by division of the jurisdiction into functionally interdependent but structurally equal parts” (Abbott 1988: 73). Although legal tech companies and traditional lawyers still offer comparable services in the same market, their services differ substantially when it comes to diagnosis, treatment, and inference (see above). In addition, legal tech companies do not just compete with lawyers but also depend on them to enforce claims in court. Conversely, lawyers are increasingly using legal tech tools to organize their workflows and attract new clients. As one legal tech entrepreneur we interviewed put it, legal tech companies and lawyers are not direct competitors but are instead functionally interdependent collaborators in the same market (Legal Tech Entrepreneur A). This finding confirms recent scholarship on jurisdictional control that predicts that the impact of digital technologies – in line with connective professionalism (Noordgraaf 2020: 206) – typically results in settlements by division of labour (Sako et al. 2022: 144).

The division of labour between traditional lawyers and legal tech companies is more stable in certain sectors of the legal services market and largely depends on the legal organisational form and business model of the legal tech company (Rehder et al. 2023: 205–209). For example, intermediary platforms that connect consumers with qualified lawyers tend to foster a mutually beneficial relationship that does not threaten the business model of either party. Similarly, traditional law firms that use certain digital services offered by legal tech firms to better advise their clients are also more likely to collaborate with these firms rather than competing with them. In contrast, more comprehensive legal tech service providers offer services

that compete directly with those of some traditional lawyers, potentially disrupting established jurisdictional boundaries. Nevertheless, regulatory standards may encourage greater collaboration between these two sets of professionals. In particular, legal tech companies can access external funding to develop innovative business models, a privilege that law firms are excluded from. This asymmetry may lead to new forms of collaboration while increasing traditional lawyers' dependence on legal tech, particularly for client acquisition and the management of standardised processes. At the same time, comprehensive legal tech providers still depend on conventional law firms to enforce claims in courts (Rehder et al. 2023: 208). However, some legal tech companies have addressed this dependency by setting up their own law firms, further blurring the lines between collaboration and competition.

How long the current division of labour in the German legal services market will last is a moot point. Legal settlements achieved through court rulings or legislation tend to be enduring, typically lasting 20 to 50 years (Abbott 1986: 191). In the case of the German legal services market, a settlement has been reached through case law and legislation that legitimises the jurisdictional claims of legal tech companies. Nevertheless, this settlement is unlikely to remain stable for an extended period. Despite passing the 2021 Act, the previous German government acknowledged potential shortcomings of the legislation and has instructed the current legislature to review the Act and related regulations (Kilian 2022: 41). As we have outlined above, this ongoing review, initiated in 2024, has reignited the jurisdictional conflict, with professional associations on both sides actively participating. While it remains to be seen whether the current framework will be revised by the next government, it appears unlikely, from today's perspective, that the steps taken to liberalize legal tech tools will be rolled back.

Furthermore, the pace of technological development will also continue to destabilize existing jurisdictional boundaries (Susskind & Susskind 2016: 195–228) and is likely to propel the various professions operating in the legal services market towards an increasingly specialized division of labour. This drift towards a division of labour settlement – which we have observed in the German legal services market – is not an abrupt transition but a gradual process, “because the task changes that generate such settlements are gradual” (Abbott 1988: 73). Consequently, it is plausible that for the foreseeable future, both professions will increasingly focus on their specialized roles, while lawyers will likely continue to adopt some legal tech tools for their own practice.

However, as Abbott acknowledges, maintaining a settlement through a division of labour settlement indefinitely is challenging (Abbott 1988: 74). Moreover, settlements should be seen as temporary stepping stones rather than endpoints when a profession is emergent (Baba et al. 2021: 1927; Sako et al. 2022: 145). Given the anticipated developments that the legal professions will confront due to the emergence of artificial intelli-

gence (Armour & Sako 2020: 27; Felten et al. 2021: 2203), the boundaries between legal tech firms and traditional lawyers are likely to become blurred over time. A point of complete convergence may emerge (Webb 2020: 2; Webley et al. 2019: 16–17), or at the very least, a new settlement that relies solely on differentiation via client status (Abbott 1988: 77). Under such a settlement of client differentiation, lawyers and legal tech firms would compete in every segment of the legal services market – virtually offering identical services and products – but wealthy clients, such as large corporations, would primarily retain traditional lawyers, while legal tech firms would cater to the rest of the population, primarily the middle and lower classes.

One of the legal tech entrepreneurs we interviewed highlighted this evolving dynamic, emphasizing the sector's growth and efficiency: *“Wherever there are appropriate claims to enforce, legal tech will continue to thrive. Because it simply makes sense to have a repeat player that works efficiently and then also has professional marketing or, like us, wins favourable decisions from the [courts]. So, I think there will be more of a self-reinforcing effect everywhere, and that’s why these tools will be more attractive, better, even more customer-friendly, have even better pricing, a bit of the Amazon effect, yes?”* (Legal Tech Entrepreneur B). Yet, this does not mean that every claim will be enforceable at low cost by legal tech firms in the future. It is also likely that market forces will influence legal tech firms to continue to focus on consumer law cases that are less complex and reliably enforceable, while leaving the more complicated legal problems, where money cannot be made from mass processing, unaddressed.

Conclusion

Returning to the research questions posed at the beginning of this article, there are three main findings: First, there is a jurisdictional dispute between traditional lawyers and legal tech firms, as evidenced by the ongoing rhetorical sparring between their respective professional associations and, most importantly, litigation to define the limits of legal tech firms' roles in the German legal market. However, this dispute is currently limited to specific segments of the German legal services market and does not threaten the quasi-monopoly of traditional lawyers or their economic competitiveness in the market. Second, in the course of the jurisdictional conflict, it has become clear that legal tech firms and their representatives have adopted a professional identity that differs from that of traditional lawyers in that they emphasize both entrepreneurial and consumer advocacy aspects of their work. Moreover, as in the Nordic countries (Kronblad & Jensen 2023), this new identity is also reflected in the working practices of legal tech firms, which focus

more on digital products and largely eschew face-to-face legal advice. Third, the two professions have, for the time being, forged a legal settlement through a cooperative division of labour in which the professions are, for the most part, functionally interdependent.

Our findings are consistent with Abbott's theory of professions by showing how jurisdictional boundaries are actively constructed and contested, especially when a competing new entrant enters the market and offers lower prices. However, this study also makes a new contribution by focusing on the German legal services market, an area that has been less studied compared to Anglo-American contexts. While previous studies (e. g., Kronblad & Jensen 2023; Susskind 2010) have highlighted similar jurisdictional tensions between different legal professions, our findings add to this body of work by identifying a distinctive division of labour that reflects the functional interdependence between traditional lawyers and legal tech firms in Germany.

Of course, our analysis is not fully conclusive and there are many issues that require further research. In particular, there is a need for analysis that sheds light on the political economy of legal tech firms and their relationship to other “traditional” actors in the legal field, in order to do justice to the broader power dynamics at play. Furthermore, while the current legal regime appears to be reasonably stable, societal and technological changes may make these boundaries less stable and more vulnerable to challenge by one profession or another. This issue is particularly salient as the rise of artificial intelligence looms large, and legal tech companies are poised to exploit it to increase their market share. Such an expansion of their influence on the German legal services market could then lead to two possible scenarios: If legal tech firms make legal services more accessible and cheaper for citizens, this development may well be justified. Conversely, if legal tech firms displace traditional lawyers and law firms in more and more market segments, this could well lead to a concentration of power in the hands of a small number of legal tech firms, expanding their standardised approach. Whether or not these scenarios come to pass, it is clear that both professions will need to continually adapt and redraw their jurisdictional boundaries to ensure that legal services remain easily accessible to all citizens in the future.

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