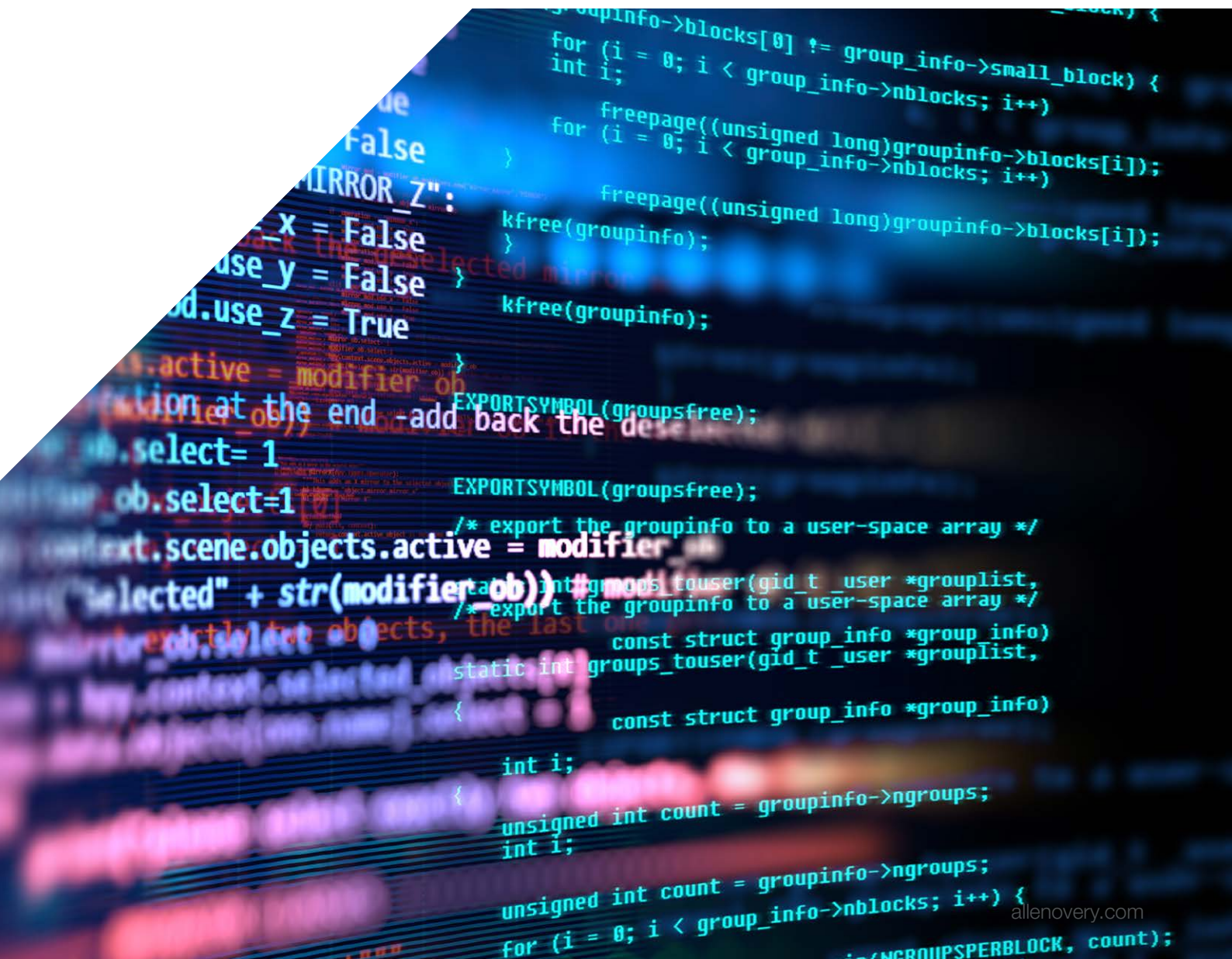# ALLEN & OVERY

# Digitalisation and Innovation

2024

Helping you smooth the path for digital projects

Digitalisation or digital transformation is the process of using technology to transform business operations. The application of **Artificial Intelligence**, **Blockchain**, the **Internet of Things** and other breakthrough innovations has the potential to reshape every aspect of an organisation – from its business model and processes to how it delivers an effective customer experience.

Digital transformation is affecting all our clients, regardless of the industry or geography in which they sit. The pace of disruption is expected to accelerate even in the next one to two years, with Covid-19 providing a catalyst for a period of focused growth. While there is undoubtedly hype about the topic, we do need to take digitalisation seriously.
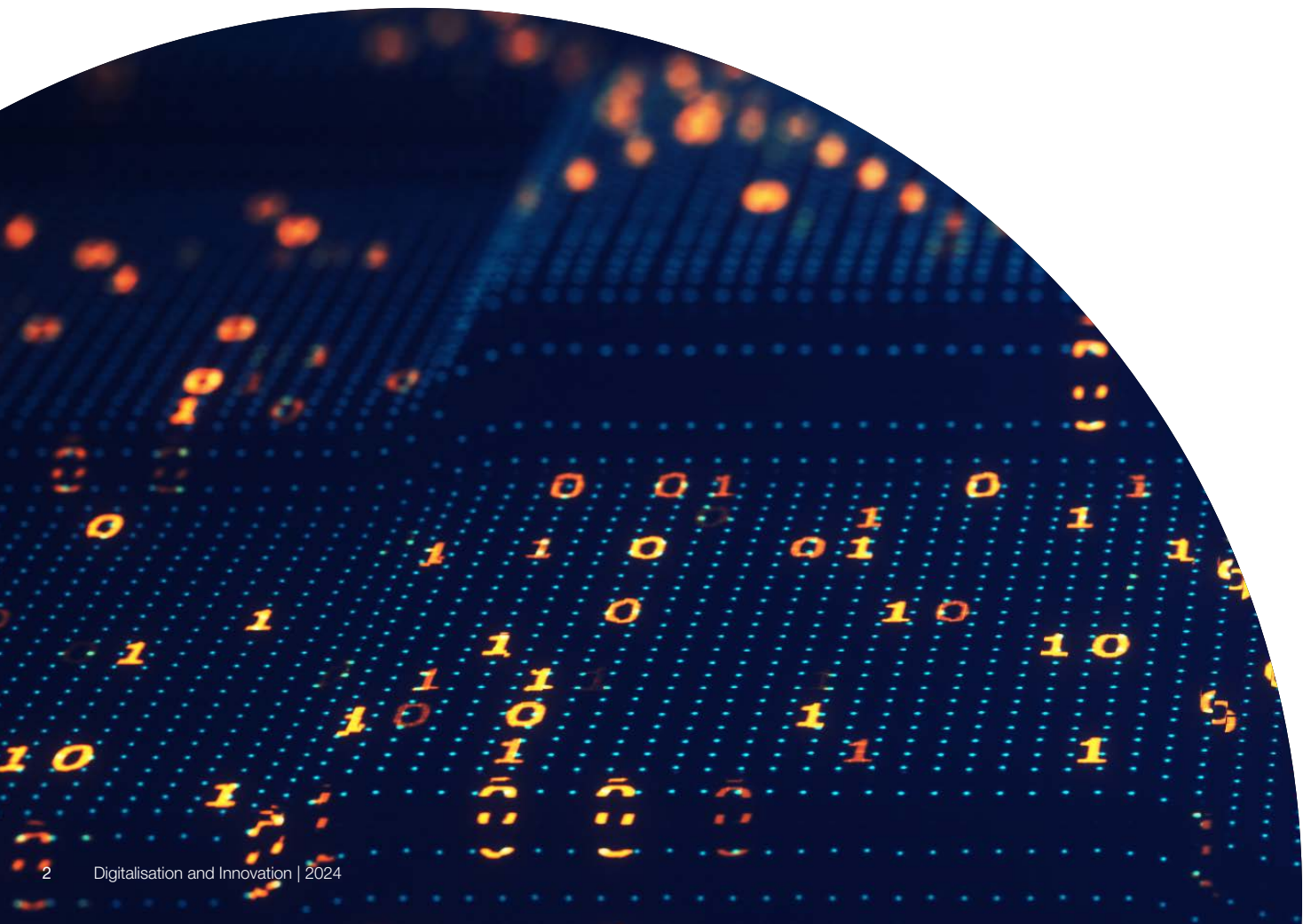
There are three different ways that digitalisation may affect your day-to-day activities:

Digitalisation is changing the nature we do business

How many times have you heard the senior leadership of a company tell its stakeholders that "we're a tech company now" as Lloyd Blankfein, CEO of Goldman Sachs, has? Today, the distinction between tech companies and non-tech companies is becoming less relevant. A&O is also working with more growth companies than it once did, and even our traditional client base is starting to think more entrepreneurially and to partner more with smaller, more agile, start-ups to speed up their own innovation processes.

Digitalisation requires us to engage with new technology.

The question is therefore: what are the risks and opportunities associated with bringing innovation into your businesses? For example, where does liability fall in the event of an accident involving an autonomous vehicle? Can a cryptoasset be property?

Digitalisation is changing the way that your clients expect you to engage with them.

The business of law is also being transformed by a combination of new technology and changes in resourcing and process models.

Digitalisation is relevant to all companies. Every business must understand how emerging technologies impact their operations and the ways in which it interacts with its customers. All businesses need a plan for how to adapt.

How can we help you?

Companies are under tremendous pressure to transform their traditional business to reduce costs, achieve savings, enhance customer experience, and beat competition from new entrants. To do so they must speed up their innovation cycles.

Typically they will look to partner with third parties who will contribute expertise on digital technologies. There are different ways of doing this, namely:

– Embedding the technology into the organisation by creating incubators/accelerators;

– Engaging in acquisitions, joint ventures, and strategic partnerships;

– Pooling efforts by means of consortium agreements; or

– Outright licensing or outsourcing transactions.

A&O is ideally placed to offer a multi-disciplinary team able to address the issues that frequently arise on these transactions such as:

– Specific risks and liabilities assessment as part of an M&A process;

– Regulatory complexity introduced by new business models (eg payments);

– Antitrust aspects of data monopolies;

– Ethical and compliant collection and exploitation of data;

– Risks and liabilities associated with artificial intelligence; or

– Employment issues triggered by a changing working environment.

On the horizon, we also see a wave of disputes and investigations driven by things like cyber and data mishaps, problems arising in complicated commercial partnerships and controversies over liabilities when new technologies behave unpredictably.

Emerging issues in digital transformation projects

Engaging business partners

Bringing new technology into a business frequently involves finding new business partners/stakeholders. A fundamental question is what form that collaboration might take.

Culture clash

Culture clash can be a particularly corrosive dynamic when emerging and established companies come together in investments, M&A, commercial partnerships, face new business models or new business entrants.

Use of data

The ability to manipulate large sets of structured and unstructured data ("big data") is one of the key characteristics of the digital revolution.

Cybersecurity

The more we put online, the more people work from home, the more we expose ourselves to the risk of cyberattacks.

Open innovation/ Protecting IP

Intellectual property frameworks are crucial in protecting and promoting innovation.

Liability

Identifying such risks and planning for them will be essential, as will expertise in dispute resolution in the event of such a problem.

Your key contacts

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Over the past decade, our Global IT practice has **consistently been ranked tier 1** by all leading legal directories, including Legal 500 and Chambers.

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