

Law Firm Data Security: Recent Breaches Highlight Benefits of Cloud Storage



Is the legal industry experiencing a culture shift on keeping ESI?

The threat of cyberattack looms large for law firms. In 2016, “the year of the breach,”¹ a seemingly endless barrage of law firm security incidents were front and center in industry news – and the pace hasn’t slowed. Mossack Fonseca, Johnson & Bell, amongst many, fell victim to breaches, prompting the FBI to issue an alert that hackers were targeting international law firms in an insider trading scheme.²

But cyberattacks at law firms and other organizations aren’t the only thing persuading firm managers and attorneys of the importance of Electronically Stored Information (ESI) security. They’re experiencing that need firsthand. The American Bar Association (ABA) reported that 14 percent of legal professionals said their firms had experienced a data breach at some point. And while the largest firms are most at risk – 26 percent of respondents at firms with 500+ attorneys said they’d experienced a breach – firms of all sizes are exposed.³

The enhanced security features of a cloud-based hosted solution makes it a popular option for storing files. Ricoh’s 2017 “eDiscovery Managed Services Survey” shows that, although legal professionals still have some concerns about the security of cloud-based data storage, they’re also beginning to see how such a solution can actually enforce security and reduce the risk of a costly breach.⁴

Implications for law firms

With the exponential increase of ESI, law firms are storing larger volumes of their client data. At Mossack Fonseca, which experienced the largest breach in history, 2.6 terabytes of information were leaked – an estimated 11.5 million documents.⁵

But it’s not just the loss of client data that’s at risk. In the ABA study, 37 percent of respondents who’d been through a breach reported business downtime and/or loss of billable hours. Twenty-eight percent said they’d had large correction fees, including consulting fees, and 22 percent said they’d had to purchase new hardware and software.⁶

With these figures, it’s easy to see the financial and reputational ramifications, and why security should be top-of-mind for all law firms.

In a vote of confidence for cloud storage, the 2016 ILTA/Inside Legal Technology Purchasing Study showed that 25 percent of law firms planned to upgrade to the cloud within the next 12 months – up from 15 percent in 2015.⁷

And for 76 percent of respondents in the Ricoh survey, security is an important factor in selecting an eDiscovery managed services provider.⁸ However, some skepticism may remain. The same study showed that data security is second only to cost on the list of concerns about cloud-based eDiscovery providers.⁹ This fear is fading. Ricoh’s study also revealed that one-third of legal professionals see advanced data security as a primary benefit of using an external, cloud-based solution.¹⁰

Why are firms considering the cloud?

There are several benefits to migrating client data to the cloud environment.

- **Encryption.** Cloud providers can offer encryption for data at rest and in transit, which can be both difficult and expensive in a traditional private data center.
- **Access controls.** Access controls in the cloud are significantly more sophisticated and robust than with a traditional private data center, while still leaving the encryption keys within the law firm's control.
- **Remote location.** Data resides on remote servers rather than on-site, where it can be at risk of law firm server failure or damage. By having data in the cloud, firms can be on-line and stay on-line with increased data protection and business continuity.
- **Consumption-based pricing models.** While it may make sense to keep client data after a matter is closed in the event of future litigation, that data may then fall outside of the client's retention requirements and remains discoverable. Consumption-based pricing means firms only pay for the processing power and storage they use. This is a financial incentive for firms to dispose of client information they no longer need to retain, along with the associated cost and liabilities of doing so.
- **Scalability.** The scalability of the cloud poses a huge benefit to law firms. Depending on the client's circumstances, adding more storage in the cloud could take just a few minutes – compared with several weeks for increasing on-site storage.
- **Competitive differentiation.** In an age of increasing cybersecurity awareness, clients are more attuned than ever to the security of their law firm's data. A firm that can demonstrate a commitment to security and data protection will be one that stands out among the rest.

Choosing a provider

When searching for a provider, law firms commonly look at cost, ease of use and security.¹¹ Some questions to ask include:

- Where do you store your data?
- What type of encryption is used?
- Who holds the encryption key?
- What certifications do you have?
- Is data backed up? Where? How often?
- How does the data get there?
- What happens if we need more space?
- What happens if we need to move our data elsewhere?

Security is not a frivolous concern for law firms, especially now. And while the move from paper to ESI seemed an insurmountable challenge 15 to 20 years ago, the idea of storing data in the cloud is becoming more favorable among legal professionals. Despite any concerns about the risks of off-site, the cloud clearly offers benefits for law firms looking for a secure storage option. Ultimately, firms need to consider their clients' safety and the competitive benefits – as well as the peace of mind and financial benefits – of placing data in a highly secure location.

About Ricoh eDiscovery

RICOH eDiscovery combines a comprehensive suite of powerful cloud-based technologies with enhanced security, quality processes and the expertise of their trusted team of advisors and project managers, to design *Intelligent eDiscovery* solutions that best meet their customers' needs. Backed by an 80-year global history of innovation and a refusal to be limited by tradition, Ricoh works collaboratively with legal teams to provide practical solutions at every stage of the eDiscovery lifecycle.

Discover Ricoh's *Intelligent eDiscovery* solutions at www.ricoh-usa.com/en/ediscovery

¹ Allen, Kathryn T. "Law Firm Data Breaches: Big Law, Big Data, Big Problem." *The National Law Review*. Jan. 11, 2017. <https://www.natlawreview.com/article/law-firm-data-breaches-big-law-big-data-big-problem>

² "FBI Alert Warns of Criminals Seeking Access to Law Firm Networks." *Big Law Business*, *Bloomberg Law*. March 11, 2016. <https://bol.bna.com/fbi-alert-warns-of-criminals-seeking-access-to-law-firm-networks/>

³ "American Bar Association releases TECHREPORT 2016 citing top legal technology trends." *American Bar Association*. Dec. 13, 2016. https://www.americanbar.org/news/abanews/aba-news-archives/2016/12/american_bar_associa.html.

⁴ "RicoH eDiscovery Managed Services Survey," 2017 (Hereinafter RicoH).

⁵ Newman, Lily Hay. "The Panama Papers Are 2.6 Terabytes of Leaked Data. How Big Is That Really?" *Slate*. April 4, 2016. http://www.slate.com/blogs/future_tense/2016/04/04/contextualizing_the_2_6_terabytes_of_leaked_panama_papers_data.html

⁶ *Id.*

⁷ "2016 ILTA/Inside Legal Technology Purchasing Study"

⁸ Ricoh

⁹ *Id.*

¹⁰ *Id.*

¹¹ Ricoh

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