DeepSeek AI Explained (and Lessons for Legal Professionals)

Written by Louise Donnery

Last week was a whirlwind for anyone following the latest in tech. Stocks tumbled. Titans like OpenAI and Nvidia found themselves under scrutiny. And across the US, executives, investors, and policymakers scrambled to make sense of a massive disruption. The cause? DeepSeek, a little-known Chinese AI startup that seemingly appeared out of nowhere.

DeepSeek's sudden rise is a stark reminder of how fast the AI race is accelerating. But beyond the market shock and frenzy it caused, DeepSeek's story holds valuable lessons—especially for legal professionals navigating this rapidly evolving landscape.

What is DeepSeek?

Until recently, DeepSeek wasn't exactly a household name. The Chinese startup, founded in 2023 by entrepreneur Liang Wenfeng and backed by hedge fund High-Flyer, quietly built a reputation for its cost-effective approach to AI development. It also became known for recruiting young graduates from elite universities across China, offering the chance to work on cutting-edge projects.

Why is DeepSeek making headlines now?

DeepSeek shook the industry last week with the release of its new open-source model called DeepSeek-R1, which matches the capabilities of leading chatbots like ChatGPT and Microsoft Copilot. It's proven to be particularly strong at technical tasks, such as logical reasoning and solving complex mathematical equations.

What really turned heads, though, was the fact that DeepSeek achieved this with a fraction of the resources and costs of industry leaders—for example, at just one-thirtieth the price of OpenAI's flagship product. This was made possible by using fewer advanced graphics processing unit (GPU) chips. The implications of this breakthrough sent shockwaves through the US stock market, erasing some $1 trillion in value.

Why does it matter?

For years, AI development has been dominated by deep-pocketed players. Companies like OpenAI and Google invest significantly in powerful chips and data centres, turning the artificial intelligence race into one that centres around who can spend the most.

OpenAI and its partners, for instance, have committed at least $100 billion to their Stargate Project. DeepSeek's ability to sidestep these financial constraints signals a shift in power that could dramatically reshape the AI landscape.

What happened with the cyberattack?

As DeepSeek came onto the US scene, interest in its technology skyrocketed. Within weeks, its chatbot became the most downloaded free app on Apple's App Store—eclipsing even ChatGPT. But as it was gaining momentum, it faced an unexpected setback.

On January 27, 2025, the company revealed it was hit by a large-scale cyberattack, forcing it to temporarily limit new registrations. Existing users could still log in as usual. Soon after, research from cloud security firm Wiz uncovered a major vulnerability—DeepSeek had left one of its databases exposed, compromising over a million records, including system logs, user prompt submissions, and API authentication tokens.

Though the database has since been secured, this incident highlights the potential risks associated with emerging technology.

What lessons can legal professionals take away?

DeepSeek's story serves as a reminder that not all AI tools are created equal. While AI innovations are always exciting, security should always be a number one priority—especially for legal professionals handling confidential client information. Rushing to adopt the latest AI tool without assessing its features could put your firm's data at risk. Before integrating any new tech into your workflows, make sure you thoroughly evaluate its security and data privacy measures.

For instance, Manage AI is an AI feature designed specifically with the unique needs of legal professionals in mind. Unlike generic AI tools, it operates within Clio's trusted environment—ensuring that a firm's data remains private and isn't used to train external AI models. On top of that, it includes audit log functionality so users can track and review its activities.

Sarah Murphy, General Manager of Clio EMEA had this to say when talking about DeepSeek with TechRound.

> "The rapid emergence of AI tools like China's DeepSeek highlights how swiftly technology is transforming industries- including the legal sector- while raising important questions about trust, security, and the handling of sensitive data. Clio's recent Legal Trends Report revealed that 96% of UK lawyers are now incorporating AI tools into their workflows in some way, creating unprecedented opportunities for small firms and sole practitioners to compete with larger firms by streamlining operations and focusing on high-value client work. However, as these technologies evolve, so too does the responsibility to adopt them thoughtfully. Legal professionals must prioritise solutions designed with compliance and confidentiality at their core. Client trust is paramount and mishandling sensitive information risks reputational damage that no amount of innovation can repair. Tools like DeepSeek serve as a timely reminder that while AI has the potential to revolutionise the legal profession, its adoption must always align with ethical standards and a commitment to client care.""

Conclusion

DeepSeek's rise underscores how quickly the AI landscape is changing. While its breakthroughs are no doubt impressive, the recent cyberattack raises questions about the security of emerging technology. For legal professionals, the takeaway is clear: Choose AI tools built with your industry's specific needs in mind. The right legal technology will help your firm run more efficiently while keeping your data safe.

About Clio

Clio is the global leader in legal AI, powering legal work across the profession, from law firms of every size to corporate legal teams, government agencies, and courts. Its Intelligent Legal Work Platform unites the business and practice of law, connecting the people, information, and processes behind legal work. Clio's AI brings the context

together with legal sources drawn from Clio Library, a growing collection of more than one billion legal documents. Over 400,000 legal professionals in more than 130 countries rely on Clio to run their legal world. Learn more at www.clio.com.