



**ARTIFICIAL INTELLIGENCE
INITIATIVES
IN LAW DEPARTMENTS
OF
U.S. AND GLOBAL COMPANIES**

A REPORT ON CURRENT AI USES AND INITIATIVES IN LEGAL
DEPARTMENTS

This report summarizes recent empirical findings on the current uses and initiatives of artificial intelligence being undertaken by U.S. and Global law departments as of Q1 2018.

The focus of this paper is to provide a “state of the union” report on the emergence of AI and its current uses and to provide perspective on the future use cases and relevance to law departments. The findings set forth in this report are drawn from the feedback of leaders within corporate law departments, largely from Fortune 500 companies.

The process used for this report incorporated feedback of inhouse counsel through numerous interviews as well as onsite observations in order to ensure that there is a correlation between views and opinions with real-life scenarios and actual initiatives being implemented by sophisticated legal departments in the U.S. and globally.

Deconstructing Artificial Intelligence (AI)

AI has emerged from the backburner of global discourse to the forefront of the legal industry in the last few years. In the context of legal operations, the term AI is used to describe applications that involve cognitive computing, machine learning, natural language processing and spoken language.

In terms of the legal profession, there is overwhelming need for AI that has been largely unexamined until recently. With AI investment and considerations gaining gradual attention that is compounding in terms of relevance due to the changing role of law departments, law departments cannot be left behind in this new frontier. General counsels and chief legal officers have recognized AI as a technological advancement capable of transforming the fundamental nature and effectiveness of their legal departments as business units for their organizations.

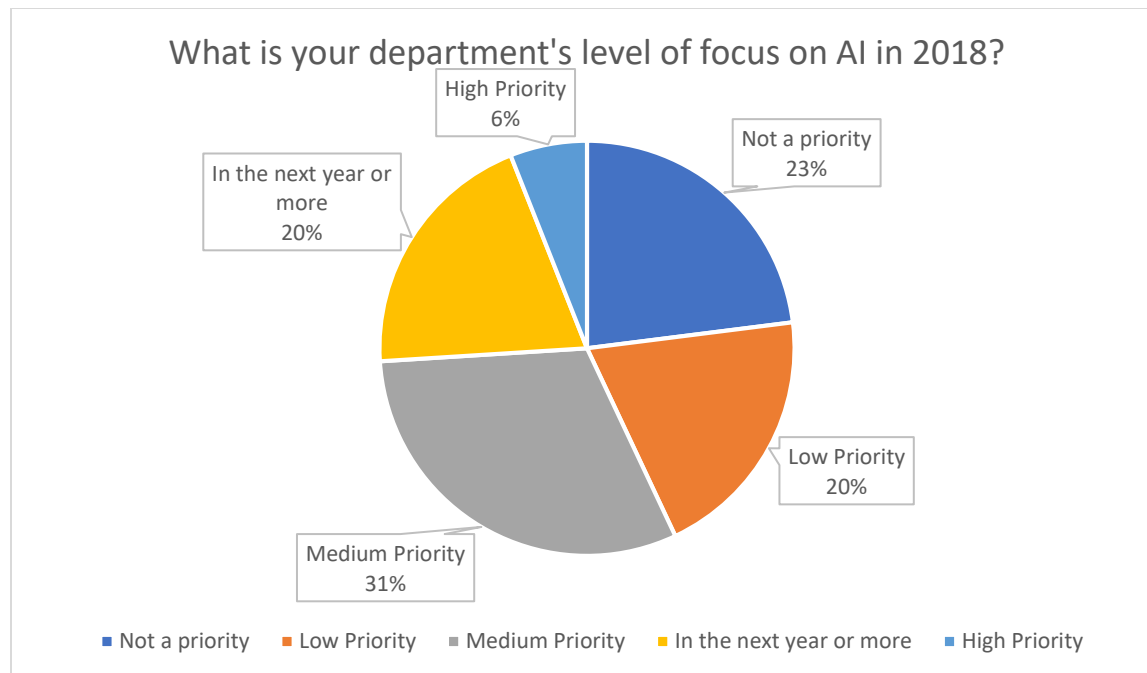


The idea of adopting optimization goals by law departments in order to flourish as business units has gained currency because the long-awaited promise of artificial intelligence has become a tangible reality. With a possibility of putting innovative technology to use and ensure efficient allocation of resources, AI has emerged as a new frontier through which legal departments can make exponential strides in improving their ability to be valued strategic contributors to organizations.

In a sense, AI provides an opening for the legal profession to restructure its business and personnel processes, standardize them, and, even more fundamentally, redefine the legal function as a strategic partner the business organizations they support.

Since the early dawn of PCs, law professionals have looked forward to leveraging technology in providing value-added legal services. However, while legal and related services have witnessed a spike so far, the iteration and improvement of systemic processes and use of proven technologies have lagged as compared to other verticals. With AI, legal departments can now utilize the analytic capabilities and cognitive tools to optimize service delivery, reduce costs, and, most importantly eliminate frequent human mistakes.

Among the feedback, 57% of respondents indicated that their law departments were either considering an AI-focused initiative over the next several years or have otherwise prioritized AI as either medium or high priority initiatives.



AI Has Matured as a Technology Solution

While the legal function can be described as typically slow to adopt technological innovations, with AI, technological utilization has leaped from mere e-Discovery purposes to the leading item on the shortlist of law departments within just two years of when AI products and services first became pervasive in their commercial availability. While it is easy to brand AI as hype, its rapid adoption is demonstrative of its proven value.

Rethinking Legal Budgets and Resources

In the last decade, prevailing practices has influenced general counsel to position law departments in the mold of traditional business units. In this regard, legal departments have emerged in a bid to assert unimpeded ownership of resources and the service delivery process. Quite simply, legal departments see value in having robust technology and consulting budgets to

improve their processes and augment or offset their budgets traditionally reserved solely for staffing of inhouse attorneys or hiring of outside counsel.

The increasing availability of technology budgets in legal departments has made it easier to evaluate and control cost, supplier performance and the technology adopted within the legal department and independent of budgets reserved for technology and consulting of their business enterprises. As a result, the core focus of legal initiatives in a modern legal department demonstrates a recognition of the prominent importance of investment in transformative technologies and process improvements.

Legions of lawyers are no longer necessary when law departments can avail themselves of business driven inhouse attorneys, the right outside counsel, and curated technology that supplements human skill to eliminate costly and serious human errors. The use of AI is now seen to achieve the trifold goal of making legal departments efficient, minimizing expenditure on contracted legal services, and eliminating those costly human mistakes that are inherent in any human-only process.

Modernizing Legal Departments in Phases

The evidence is clear that AI is on the minds of many legal professionals and while only about 6 percent of legal departments had AI technology to use as of the end of 2017, this is largely representative of any new technology adoption and the trends in 2018 and 2019 show AI adoption has become increasingly mainstream.

In 2017, while only 1 percent of our sample had AI operational in their organizations, 22 percent indicated it was under consideration for implementation in the next 2 years. This placed AI in fourth place among 17 technologies in the “future focus” category. This appears to be a function

of the focus of legal departments to modernize “low-hanging fruit” aspects of their departments first while keeping AI on the horizon in the near future to accomplish the objectives of deploying intelligent tools to resolve areas of concern, namely, eliminate human mistakes, improve operational efficiency, extend capabilities, and boost productivity. Clearly, AI cannot replace attorneys, rather, it is complementary and accretive of the value that attorneys bring to the organization.

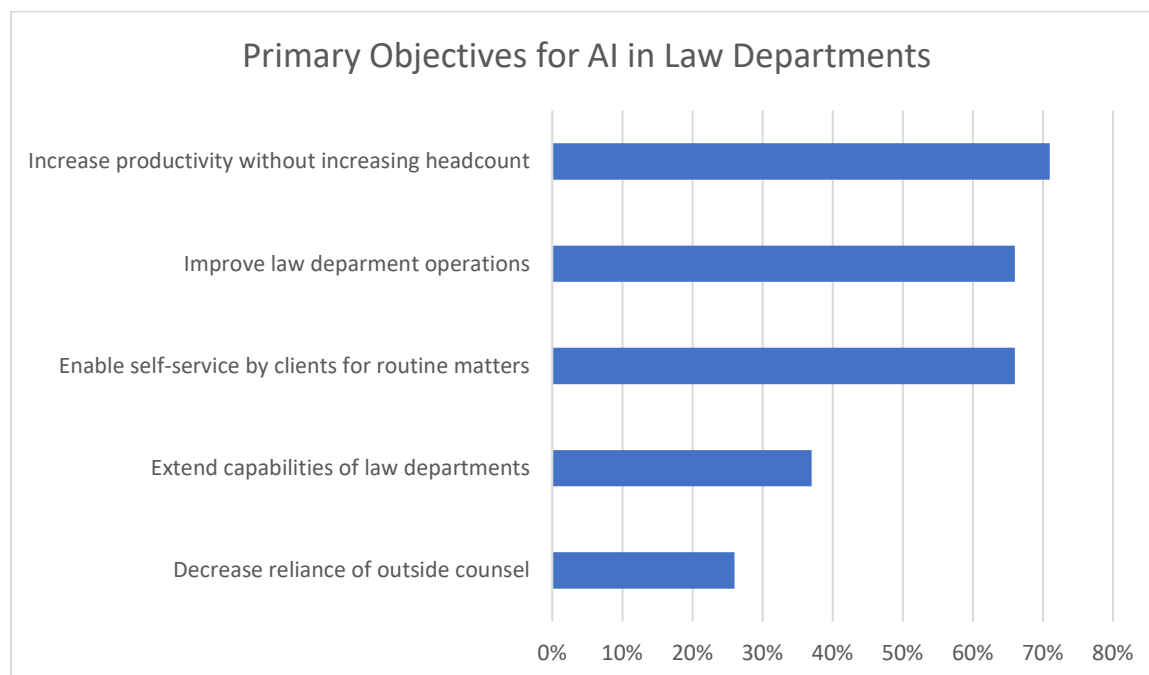
AI Solutions are Most Commonly Deployed to Address Several Objectives at Once

The results demonstrate that law departments are primarily focused on AI technologies can be implemented in the operational areas of daily routine so that legal service delivery will become optimized towards boosting personnel productivity without increasing the law department expenses.

Drilling down a bit further on the areas of the greatest expected impact include risk identification, budgeting, resource planning, and cost reduction. Additionally, self-service will ensure that common questions are easily answered with legal requests getting streamlined, leading to greater efficiencies across the board.

AI has already impacted the division of responsibilities between in-house resources and outside counsel. At present, legal departments tend to use in-house resources for legal demands while limiting the need for outside counsel as much as possible, resulting in inadequate provisioning of resources and increased cost. What AI can provide is an opening to monitor and evaluate business drivers and predict the overriding effect on law departments. This has unveiled

predictive modeling as an avenue to boost strategic resource planning to increase the bottom line.



Law departments have found a window of help in the initiative of some disruptive law firms that have provided self-service portals for online applications. Going forward, if these solutions can help organizations see the benefit of AI adoption on their business, a new trajectory will emerge. Law firms and their clients will be able to embrace the benefits of the new technology in a symbiotic approach. Technology adoption will boost legal services and make them more efficient while clients realize lower cost, enjoy improved services, and can redeploy their human capital to their highest and best uses for their organizations.

AI Enablement Improves Contract Compliance

A critical function of a legal department is to offer an organization a steady hand in maintaining compliance with its existing contractual obligations. Failures to operate within the parameters of existing contracting terms lead to defaults in obligations, inaccurate expectations of revenues and costs, and latent liabilities caused by unknown defaults.

Optimal obligation management requires a perfect catalog of existing contracts, knowledge of inherent clauses and implications, as well as a standardized approach that leaves no one in doubt as to the contractual requirements and their effects on the business. Even in recent studies, despite the prevalence of contract management technologies and solutions, almost three-quarters of our surveyed inhouse legal counsels estimated that their existing contractual obligation management was either fair or failing their organizations.

In the AI marketplace, several solutions are available to provide a clearer understanding of contractual obligations. These solutions, through their AI capabilities such as predictive coding and machine learning, also help with enforcement and compliance measurement.

Additionally, with further developments in AI technologies, it is expected that, soon, solutions will soon be able to provide predictive outcomes for litigation and provide counsel with insights into possible pathways to the desired results.

In order to maximize the impact of the available technologies and roadmap a path to success, as an initial matter, it is important for legal departments to conduct a proper needs assessment and identify and prioritize their strategic objectives.

The AI Checklist

In order to prepare an organization for the adoption AI, it is important to consider the following questions:

1. Have you identified and documented the objectives and operational goals of your department?
2. Are there barriers and pain points to your objectives and have these been identified with clear priorities outlined?
3. Have you identified the processes that have to be optimized?
4. Has your department aligned with the need for AI-driven initiatives?
5. Is the adoption of AI, its usage and processes understood by you?
6. Have you defined the processes and highlighted the possible areas of use in your department?
7. In considering the goals of your department, do you envisage the use of AI to attain them?
Is a pilot project for AI yet developed or implemented by your organization?
8. Have you had a roundtable with the stakeholders to be affected by the implementation?
9. If the benefits of AI to your department have been identified, have you developed a strategy to implement and involved all the relevant stakeholders?
10. In considering or assessing the impact of AI solutions, have you measured the effectiveness both quantitatively and qualitatively?

Conclusion

In order to be able to reap the rewards of AI, the following considerations are important:

1. First, an organization must assess the major barriers to attaining the set goals and objectives of the law department – are the appropriate stakeholders involved and are they aligned on the goals and objectives?



2. Second, the organization should have a firm understanding of the AI-enabled technology solutions currently available and how those solutions can be applied to the stated goals and objectives.

3. Finally, the organization should understand the limitations of the existing AI technologies and address any gaps through process improvements and investment in new skillsets, roles and responsibilities.

With defined use-cases identified alongside a practical awareness of the options available, a personalized adoption plan for AI technology can and should be developed. This coupled with success measures that are clearly defined are essential in order to maximize on the opportunities for legal department improvements.

If you are interested in more information on AI or would like to learn more about how to incorporate AI solutions into your legal department, we can help. Contact us at info@legalsofttech.com and a client success representative will contact you immediately.