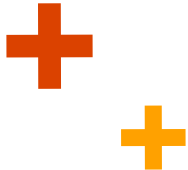


# Stepping into the future: How modern lawyers are harnessing the power of AI



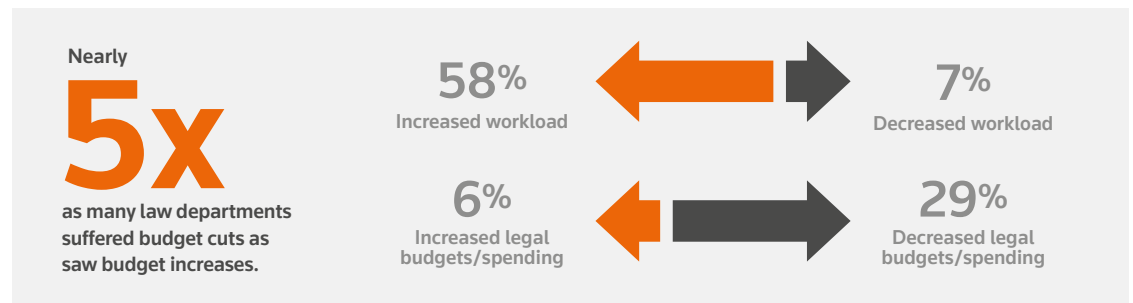
The use of legal technology has exploded in the last five years, with more and more legal professionals seeing the potential in artificial intelligence (AI)-powered technologies that help them automate routine tasks, collaborate more effectively, and more efficiently manage their workflows.

The most **powerful legal technology innovations** use at least some artificial intelligence. Where technology 1.0 simply digitized manual tasks, tools informed by AI and machine learning take best practices learned from other peoples' trial and error and seamlessly apply them to what you're working on. Today's more intuitive, user-friendly tools aspire to support a lawyer's workflow rather than forcing new processes or ways of thinking. And when you do update your process or way of thinking, the tools can support you rather than needing to be swapped out or reinvented.

The increased use of AI in the practice of law, research, contract analysis, document review, predictive analytics, and more, is driven by simple economics and the change in working practices, due, in large part, to the effects of the pandemic.

## Law departments and firms need to do more with less

Tight budgets have long pressured corporate law departments to do more with less. The **2021 State of Corporate Law Departments (SCLD) report** from Thomson Reuters highlighted the challenges that in-house teams faced. In the preceding year, workloads surged for nearly 60% of corporate law departments, but only 6% received budget increases to meet this heightened demand — and nearly 30% had their budgets cut in the challenging business environment.



Source: Thomson Reuters 2021 State of Corporate Law Departments report

This operational squeeze — as well as the overnight switch to remote working brought on by the pandemic — accelerated many legal teams' reliance on legal technology. Many legal teams have expedited the process of integrating collaborative platform-based technology into working practices, as well as tools that utilize AI and machine learning to assist with the **drafting and analysis of documents and contracts**.

## Legal technology helps lawyers operate efficiently from anywhere

According to the [2021 Report on the State of the Legal Market](#) from Thomson Reuters, most firms now acknowledge that remote working can be successful, with 81% of senior risk managers believing that it will remain a permanent feature of their firms' operations. Additionally, the disruptions resulting from work-at-home arrangements were less serious than most firms expected, and the proportion of U.S. lawyers who now want to work remotely at least one day a week has doubled from the pre-pandemic period. While 37 percent of lawyers expressed an interest in remote work prior to the pandemic, 76 percent now favor the remote work option. Indeed, globally, more law firm partners perceived working practices to improve from remote working than to deteriorate.

As lawyers and businesses come to terms with the new normal, there has been an increased shift in how they are operating, and new technology is playing a critical role. Many legal departments and law firms are rapidly moving towards becoming legal digital workplaces. The three main drivers of this shift are:

- The need to adopt technology to enable all parties to work remotely and collaboratively.
- The need to increase cost savings.
- The need to increase effectiveness, not only through new technology but also by giving lawyers new skill sets.

Data from the recent [Legal Department Operations \(LDO\) Index 2021](#) from Thomson Reuters Institute backs this up, showing that the adoption of legal technology is expanding as legal departments look to enhanced technological solutions and digitalization to improve their efficiency and reduce costs. Much of this technology is dedicated to simplifying workflows and automating tedious and time-consuming manual processes, such as document drafting and contract analysis. The LDO Index 2021 showed that more than half (52%) of legal departments have increased their use of legal technology over the past year.



# 52%

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Source: Thomson Reuters Legal Department Operations Index 2021

## Law firms need to adopt advanced AI technology to stay competitive

This belt-tightening and growing reliance of automation has serious implications for law firms. According to the 2021 LDO Index, over a half of corporate legal department budgets, on average, are spent on external counsel. Among legal departments that cited cost control as a primary objective, 87% said controlling spend on outside counsel was a top priority.

### Top Legal Department Priorities

More than 50% of Legal Departments ranked topics below as "high priority"

1. Controlling outside counsel costs	87%
2. Using technology to simplify workflow and manual process	74%
3. Focus on internal data security	73%
4. Focus on legal operations	59%

Source: Thomson Reuters 2021

For law firms to retain work and remain competitive — with other law firms and legal service providers as well as in-house teams — they also must turn to technology that can save time, reduce errors, and free lawyers to perform more strategically important work that delivers greater value.

The 2021 Report on the State of the Legal Market indicates that a large majority of partners now have a broader acceptance of the role of technology in the effective delivery of legal services than before the pandemic began. Indeed, 84% of partners surveyed expected their firms to increase investments in technology. Additionally, **research** from the International Legal Technology Association noted that in firms of 700 or more lawyers, all of them were either using AI tools, or pursuing AI projects.



**84%**

of partners expect their firms to increase investment in technology.

“Legal firms who adopt AI and are able to move faster may be more likely to pass those savings immediately on to their clients, and firms with no ability to automate may find themselves relatively overpriced for legal services that other firms have largely automated away,” wrote Daniel Faggella, CEO Founder of Emerj Artificial Intelligence Research.

Conventional wisdom and the ILTA study cited above suggest large law firms are driving this trend, because they have the **resources to invest in AI**. However, Faggella believes small, nimble firms are well positioned to maximize automation and efficiency because they can specialize and aren’t hampered by overhead and legacy infrastructure that may burden larger firms.

“These firms will likely apply AI and other software to a specific legal domain (possibly wills and trusts, or patent law, or commercial real estate contract review), and they’ll be able to leverage technology to garner large profit-per-employee numbers,” he wrote. “This won’t be done through massively high rates for their billable hours, but by charging low rates and scaling their services with automation.”

Lauri Donahue, director of legal content at LawGeex, a legal tech startup in Tel Aviv, made a similar case in the Harvard Journal of Law & Technology: “The traditional law firm business models based on armies of first-year associates racking up billable hours doing M&A contract review are doomed by the advent of AI,” Donahue wrote. “Firms that fail to take advantage of AI-powered efficiencies may lag in competing with those who do — at least to the extent clients insist on fixed-rate billing. Thus, lawyers who understand technology, and educate themselves about the latest legal tech developments may be of increasing value to their firms.”

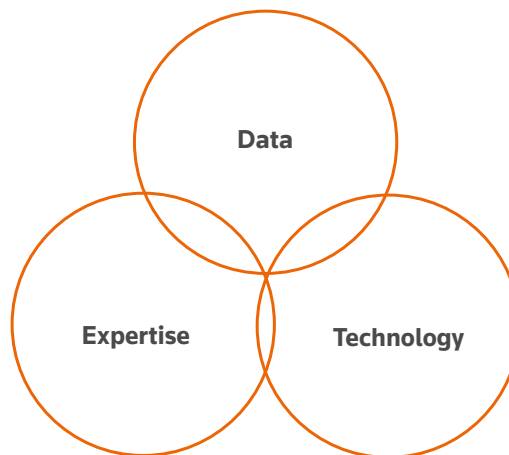
## Employing AI in the legal sector

AI and related technologies are ubiquitous and built into our everyday lives. AI underlies smart phones, web searches, online shopping, voice-to-text translation, facial recognition, and social media. Artificial intelligence improvements are routinely bringing advances to a range of industries, from manufacturing and retail, to transportation, banking, life sciences, and healthcare. In a legal setting, lawyers are increasingly turning to robust AI-powered solutions to help them automate routine tasks, more efficiently manage their workflows and collaborate better with their teams.

AI uses fast, iterative processing and algorithms to analyze and see patterns and features in vast amounts of data. One important AI subfield is machine learning, in which computer systems learn and adapt based on the data they are exposed to. Another subfield is natural language processing, which enables computers to understand, translate, and respond to human language.

In the legal field, AI-powered solutions are built upon three crucial and interlinked ingredients: data or content, **subject matter expertise**, and technology:

- **Data or Content** is key because it is often the input and the output of the process. Data is necessary to train machine-learning algorithms and so for any legal technology solution to be worthwhile, it requires large quantities of content that is current, accurate, comprehensive, and enhanced. Our common law system is driven by data – a collection of statutes, regulations, case law, and other legal and administrative opinions that collectively represent the data that lawyers and judges must research, analyze, interpret, and reason over.
- **Subject matter expertise** is crucial as it ensures AI tools are solving the right problems and capture the nuances of the domain in a way lawyers can understand and analyze. Experts inform the creation of AI training data, validate the performance of machine-learning algorithms, and play a critical role in error analysis. They help computer scientists and engineers understand the domain as well as the data attributes responsible for errors, so they can be corrected.
- **Technology** drives AI solution design and development, which typically requires robust, complex solution architectures that can work at scale. This is how AI scientists combine expertise in **AI tools and technologies**, analytical and problem-solving skills, and a solid understanding of the target domains.



## AI gives lawyers time to be lawyers

AI functionality is powerful but isn't yet revolutionary; it is not designed to replace the intellect of lawyers. Strategic and tactical legal advice will still be required, and AI technologies will actually facilitate more of that and enable lawyers to do a better job for their clients and organizations. AI is simply helping to make the job easier by reducing time spent on labor-intensive — but not necessarily intellect-intensive — tasks.

The real value lawyers offer their clients is the **human interpretation and analysis** that turns legal language into valuable business insight. If machine learning can take on more of this “administrative” work, it frees lawyers up to focus on the valuable human work clients care about. This might mean faster reviews or higher possible volume, but it will certainly mean happier clients.

## Putting it to work

AI can efficiently and expertly perform legal work in ways that are sophisticated — such as analyzing contracts — and commonplace, such as teaching matter management software to fill in standard forms.

### Contract management and analysis

**AI is increasingly expanding lawyers' ability** to organize, monitor, manage, and negotiate large volumes of contracts. Having a modern contract management system enables lawyers to identify key risks and opportunities, obligations, and rights in contracts. Crucially, it also simplifies the contract review and analysis process.

Reviewing and analyzing legal documents and contracts is both time-consuming and critically important. The stakes are high, and mistakes can be costly. Legal expertise and interpretive ability are essential to the task. Lawyers (or software) must separate boilerplate from the key facts and clauses, find variations in documents from negotiating parties, analyze single, stand-alone agreements, and assess numerous contracts that are part of large, complex transactions, mergers, and settlements. Sometimes, passages that are written differently mean the same thing; other times, the addition or deletion of a single word dramatically alters meaning.

Automating this type of due diligence and compliance review through an AI and machine learning-powered solutions can save time, reduce costs, and avoid errors.

AI-driven contract analysis can be built around specific legal domains — real estate, sales, intellectual property, or employment, for example. Such solutions can be ‘pre-trained’ with expert information and equipped to learn from the contracts and documents it is subsequently exposed to. It ingests documents, classifies them, and identifies key information such as parties, dates, deal value, language, jurisdiction, and governing law. It can then automatically retrieve defined terms and definitions within the contract and answer review queries and specific questions such as “What are the landlord's maintenance obligations?” Some tools create data visualizations for a large set of contracts, display clauses side-by-side for easy comparison, compare contracts to company or industry standard documents, and efficiently identify non-standard terms, deviations, and risks.



#### Ingest

Convert documents into machine-readable formats and classify the documents.

#### Define & Extract

Access and customize the review task lists for automatic fact and concept extraction.

#### Review & Analyze

Navigate, edit, and annotate the machine-generated results and compare documents, comment, and flag issues or risks.

#### Report

Review results and onward workflow in contract management platform, and create reports and visualizations.

By reviewing and extracting information from large volumes of contracts and tracking similar information across documents, AI-driven tools relieve lawyers of unrelenting administrative work. They are freed to spend more time assessing and mitigating risk, identifying opportunities, and delivering essential insights to their companies and clients. Increasingly, law firms and in-house teams will train their AI systems with content from their own repositories of contracts and legal documents to create more precise, bespoke outcomes.

## Legal research

Another cornerstone of sound legal practice — research — is also being transformed by artificial intelligence. Modern legal research platforms, utilizing intelligent search and **document analysis** capabilities, can save time, improve results, and inform advice and litigation strategy.

**AI-powered legal research** solutions are able to review a lawyer's brief — or the opposing counsel's brief — and compare it with arguments from past cases, identify weaknesses, and suggest additional relevant citations. They also can warn litigators about citing cases that have been implicitly overruled or abrogated but have no direct **citations flagging** them as invalid.

## eDisclosure

The first use of AI in law was eDisclosure, which electronically surveys reams of pre-trial documents to identify relevant information based on specific keywords, names, dates, or other criteria. It does this "in a fraction of the time, and generally much more accurately than when the same survey is performed by teams of lawyers or paralegals looking at computer screens," according to the American Bar Association (ABA).

The ABA classifies these AI solutions into two groups. "The first are the tools that will analyze all the decisions in a particular sphere, input the specific issues in a case including factors like the individual judge assigned to hear the case, and provide a prediction of likely outcomes...The other kind of analytics will review a given piece of legal research or legal submission to a court and identify the key relevant precedents and authorities that are missing from the research or submission."



## Predictive litigation analytics

Informed by case law, statutes, and other legal information, some research tools can **compare results** by judge, lawyer, law firm, case type, and other factors that impact outcomes and guide legal strategy. Because AI-powered technology can access more relevant data, faster than a team of lawyers, it is better equipped to predict the outcome of proceedings, ensuring lawyers are empowered to provide the best possible strategic and tactical advice.

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## Billing and timekeeping

AI technology can simplify billing and timekeeping by identifying line items in clerical and administrative tasks, such as time entry, invoice submission and review. It can also review entries and verify them for accuracy, as well as highlight duplicate entries. This technology is also powerful enough to analyze billing data and answer questions such as “What is the likelihood a corporate client will pay for a particular piece of work” or “What type of expenses are routinely paid and which are commonly rejected?” This can be a valuable operational, planning, and budgeting tool.

## Conclusion

In a wide range of applications, AI-powered tools are leveraging data, sophisticated analytics, and subject matter expertise to transform the practice of law. Modern, forward-thinking law firms and corporate law departments are using this technology to improve their results, unearth insights that minimize risk and identify opportunities — and doing it all with greater speed, accuracy, and efficiency. AI technology is enabling lawyers to work faster and smarter on the projects that their clients truly care about. By automating tasks, lawyers are liberated from time-intensive work to focus on intellect-intensive and analytical tasks that delivers much more value to their organization and clients.

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