



AI in Corporate Legal Operations and What It Means for You

Corporate legal departments have long worked against the perception that they function within the enterprise as a cumbersome cost center — as a department of “no” rather than as a strategic, value-added business partner. As far back as its 2001 annual meeting, the American Corporate Counsel Association (ACCA) held round-table discussions on the subject, focusing on both negative perceptions of corporate legal departments (such as lawyers are “risk averse”, “don’t know the business” and “struggle to measure the benefit of preventing problems”), as well as possible solutions (like developing “value-added” campaigns, getting involved early, understanding business goals and aligning to support them). Nearly two decades have passed since the ACCA meeting, yet these issues persist. Rapid technological advancements, coupled with an evergreen mandate to become more efficient, have moved the needle and the debate has shifted in tone. We no longer talk about whether corporate legal departments will harness innovation to help drive efficiencies and add value — but when and how.

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Recent survey data from different sources bears this out. In the Association of Corporate Counsel’s 2019 “Global Legal Department Benchmarking Report,” data collected from 508 legal departments across 30 countries shows that 53% of large departments (categorized as those with more than 100 staffers) are using legal tech solutions,



with the top three being e-signature (44%), contract management (41%) and document management (38%).

Similarly, in its “2019 Future Ready Lawyer Survey,” global information services firm Wolters Kluwer found that emerging technology and its impacts loom large. Of the 700 U.S.- and U.K.-based survey respondents, which represented a cross section of in-house counsel and attorneys in private practice, more than half expect to see “some impact from transformational technologies already here today,” including artificial intelligence, predictive analytics, machine learning and big data.



Interestingly, however, fewer than 24% of the Wolters Kluwer survey respondents say they understand those transformational technologies. In fact, 36% report their lack of tech knowledge as the main reason to resist it. But if investments in legal technology platforms and products by private equity and other funding sources are any indication — through September 2019, more than \$1.2 billion had already been funneled to over three dozen companies in the legal tech space — resisting the technology tidal wave will be an imprudent strategy for any lawyer, regardless of corporate or private practice.

Harnessing AI

At the center of the conversation sits artificial intelligence (AI) and its array of uses within the legal industry. At its core, AI refers to the “science and engineering of making intelligent machines [and] intelligent computer programs.” This is according to Stanford University professor John McCarthy, who is considered a founder of the discipline of AI and was influential in its early development.

In popular culture, AI is often depicted as a threatening presence (HAL 9000 in Stanley Kubrick’s seminal movie, “2001: A Space Odyssey,” is a familiar representation of what can happen when humans open the Pandora’s Box of AI). But in the legal industry, AI — both in terms of what it means and what it does — is much less foreboding. One early perception of AI in the legal industry was that attorneys were on the fast track to being replaced by computers. But a better understanding of the tools’ nuances means a different narrative



has emerged. Today, it is widely held that AI enhances and lends valuable context to the work lawyers do instead of replacing it.

How? AI tools help corporate legal departments reduce costs and increase productivity by automating certain components of lower-level tasks and processes long known to consume attorneys' valuable time and cost the business money.

In both transactional due diligence and contract life-cycle management (CLM), for example, AI tools enable attorneys to scour and collect specific clauses among thousands, even millions, of documents within minutes.

"In the legal space, AI is particularly useful for M&A due diligence because of the significant cost savings associated with it," says Corinne Geller, Interim Director, Legal Knowledge Engineering at Kira Systems. For example, having to outsource some of the associated activities to outside counsel could be an extremely expensive proposition. That's in part because target companies are likely to have large volumes of contracts/financial documents to review. Beyond that, completing such review under what are normally tight deadlines is a challenge that introduces the possibility of human oversight, or worse, error in identifying

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liabilities, risks or required actions. In addition, it is impossible for humans to review what can be millions of documents. A workaround may be to pull a "material sample," however, discrepancies can and do abound, introducing untold financial risk if something goes wrong. "AI absolutely clears the way for you to dig deeper into a set of contracts rather than the top 10%," says Jennifer Tsai, Manager of Legal Knowledge Engineering at Kira Systems. "These solutions help mitigate the risks associated with that."

And Geller, in the same vein, says Kira's AI software doesn't just search for keywords — it lends context to pre-identified provisions or clauses within the documents. "It's all about structuring unstructured data," she notes.

Ensuring data complies with regulatory requirements is another key area where AI is invaluable. For example, the California Consumer Privacy Act (CCPA) — which took effect on January 1, 2020 and has set a wave of other U.S. privacy legislation at the state level — means corporations must be mindful of their legacy contracts. How do AI tools assist here? They can quickly analyze legacy contracts to determine whether they will be in compliance when regulatory changes take effect and if amendments are necessary.



Moreover, AI can be used to streamline CLM platforms. CLM platforms are critical in helping corporations more effectively manage contractual risk, yet their functionality is limited without accurate and complete contractual data. Migrating data from large volumes of legacy contracts into CLM platforms is a significant process for any legal team. And tracking additional terms for financial, delivery and compliance obligations can exponentially increase the scope for review. This is where AI, in combination with expert resources, comes into play. AI can quickly and accurately review a wide range of document types and offer a versatile Excel output, thereby simplifying migration to a CLM platform.

Invest in AI to Invest in Your Company's Future

AI frees attorneys to focus on critical issues that demand their attention. It allows attorneys to complete lower-level tasks with greater efficiency so they can shift their focus to more pressing matters. It also helps associates/junior attorneys move up the value chain, lending more purpose to their work and ultimately leading to better retention levels and lower incidences of burnout.

“AI tools are a great way to level the playing field,” Geller says. “Think about your best associate when they’re fresh, and what they might notice during their first document review during the day. Now think about that same associate at 10:30 in the evening. Contract and document review can be really manual and labor intensive. The risk in human review is that things can easily be missed, but the conversation is also very much about retention and engagement.”

Next-generation attorneys enter the workforce at a much higher technological level than their forebears. As such, investing in AI translates into an investment in future leaders. Moreover, it means positioning your company for competitive advantage and allowing lawyers to apply their subject-matter expertise to what matters most.

To learn more about the capabilities of AI and how it can benefit your legal department operations, contact Kira Systems at info@kirasystems.com or visit kirasystems.com.