



AI Now

The growing adoption of Legal AI

By Richard Tromans

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Introduction

There was once an enormous amount of theoretical discussion about Artificial Intelligence (AI) and its impending impact upon the law. But, because law firms are actually now making use of legal AI, rather than just talking about it, the debate is moving on to how to actually benefit from this technology and how best to implement it.

An increasing number of law firms, both large and small, are putting AI systems to use. What is perhaps most critical now is understanding more about the reality of lawyers working hand-in-hand with AI to increase productivity, improve margins and generally become the innovative and efficient providers of legal advice their clients want them to be.

The following is an overview of some of the experiences of those lawyers who have moved beyond theory and for whom AI is now a fact of life and of practice.

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01 Why adopt AI?

One of the key drivers for law firms adopting AI, and advanced legal tech in general, is seen as the need for greater efficiency and productivity in responding to client pressure on fees, but also for lawyers to show how they are innovating in the clients' interests:

'More and more clients are asking us in RFPs and panel pitches not just to say we are innovative, but to actually show them real evidence of tech innovation inside the firm'
Partner and practice leader at Top 100 UK law firm

Or, perhaps more succinctly, there is this realisation:

'Tech is increasingly important to our clients and so we have to up our game in the area of becoming more tech savvy, as well as in the area of providing more technology-based client solutions'
Bas Boris Visser, Global Head of Innovation, Clifford Chance

This is not surprising, as although companies are generally growing in size and complexity and their legal needs are growing, they also have limited internal resources for handling large legal matters. Technology has a multiplier effect, allowing more to be done with fewer people. Legal AI technology takes that multiplier effect and extends it even further.

In-house legal teams must also deal with internal pressure to reduce spending on legal matters and at least prove they are seeking efficiencies wherever possible. AI systems, such as contract analysis or new research systems, reduce the time spent on routine legal tasks and provide better value, productivity and efficiency. In which case, one might say that law firms adopting AI systems are 'pushing on an open door' when it comes to client response and welcome.



There are several internal benefits for law firms from using AI and that can also drive adoption. For example, using AI contract analysis systems for work such as due diligence reduces the need for associates and paralegals to do lower level work. They can then be assigned higher value or more interesting work, helping to generate greater revenue and profits for the law firm due to this greater productivity.

'The associates will get their lives back. If they've spent two years at the firm then they should want, and be able, to do more stimulating tasks than wading through piles of similar documents looking for anomalies on a due diligence exercise'

Steve Cooke, Senior Partner, Slaughter and May

Cooke also points out that lawyers didn't always have such a focus on huge volumes of due diligence work until quite recently. Thus we should not be that concerned that AI is now stepping up to handle these volume matters – it's just the steady evolution of legal work:

'It was not always like this [i.e. the volume of contracts to look at]. When I qualified people didn't have the physical ability to collate and transmit so many documents, as they were in hard copy format and we didn't have virtual data rooms like now. Each document had to be copied and physically despatched. Because of that, there was a limit to what we would look at and review. Greater ability to transmit data brings greater demands to review it'

Steve Cooke, Senior Partner, Slaughter and May

There was also a sense that AI was simply a better way of doing things, as one US firm pointed out:

'Even if we cannot pass the cost of using AI onto the clients then it is faster and the quality can be better'

Ralph Pais, Partner, technology transactions, Fenwick & West

This is because the processing speeds of AI systems are today incredibly fast, reading dozens of pages of text in minutes. Once trained, AI systems are generally reported to be more accurate than tired junior lawyers.

02 Barriers to adopting AI

Of course, it's not all easy, and there are sometimes barriers to the adoption of AI. Having said that, many law firms report that concerns over AI, at least now its capabilities are better understood, actually only come from a small minority. The majority of partners who take an interest in technology are broadly enthusiastic about AI.

'Resistance? Not really. Everyone bought into the plan [to adopt the use of AI]. We had to educate internally and we had to show people what the AI tech does. But no lawyer can get away with saying "I'm a dinosaur"'

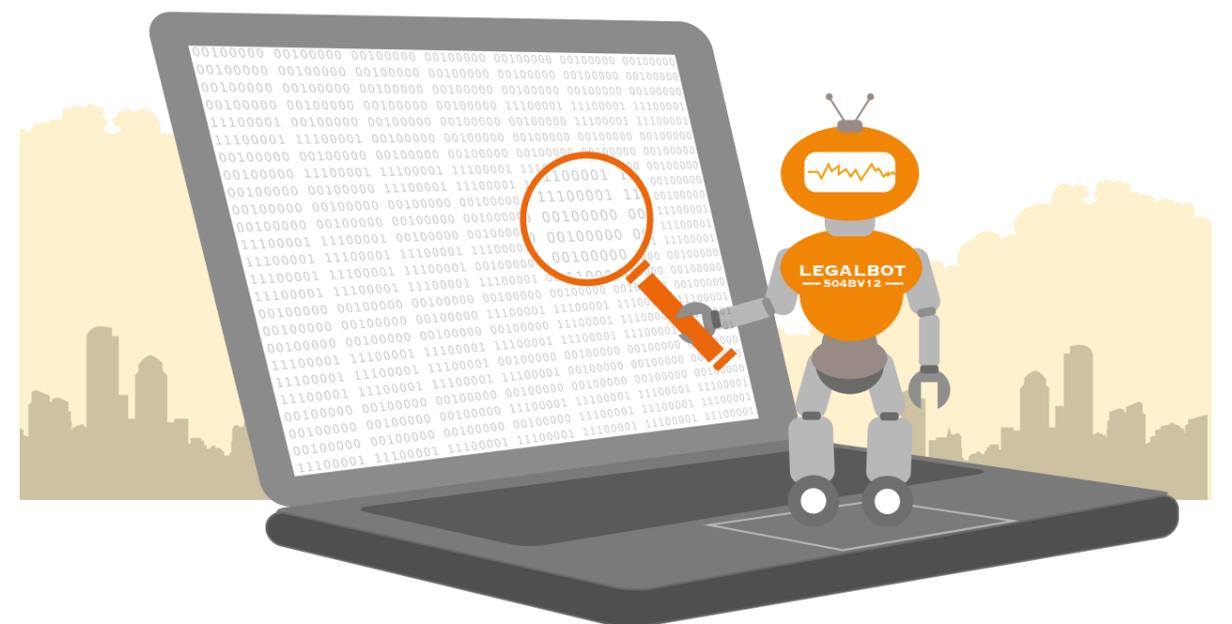
Karyn Harty, Partner, commercial disputes, McCann FitzGerald

That said, not everyone can be an expert in legal tech and gain rich insight into AI.

'As lawyers we don't have the skills to make the decisions about which AI tool will be best. We need to work closely with our internal technology management teams to assess and evaluate best options'

Ralph Pais, Partner, technology transactions, Fenwick & West

With this in mind, informing and educating the partnership about what AI can do and how it can help them will be important, especially in a way that is accessible to those who may not feel immediately comfortable with too much technical jargon.



One potential elephant in the room is the issue of efficiency. That is to say, many lawyers are under pressure to generate plenty of billable hours, even now that the fixed fee has grown far more prevalent. This can create a perceived conflict with AI adoption, because AI will operate very quickly, i.e. less total time, even if one includes the time needed to train up Natural Language Processing (NLP) systems and assist the AI's machine learning algorithms. i.e. The focus remains on inputs, not outputs and total productivity gains. But this can be overcome.

'AI does not replace the lawyer. It is an important enabler to provide our services in a better way to our clients, both from a quality as well as a cost efficiency perspective. We need to ensure that we create an environment in which AI is recognised for the great potential it has to deliver more value to the clients rather than as a potential threat'

Bas Boris Visser, Global Head of Innovation, Clifford Chance

The need to develop a firm-wide understanding of AI is therefore an important point. AI cannot be left to the IT team to implement. Instead, it needs the support of the management team and practice heads to work out how to make best use of AI, perhaps even altering how partners are rewarded, i.e. provide partners with incentives for better use of tech, better productivity and efficiency.

03 Pricing AI

The above points lead us to the issue of pricing. How do you sell your AI augmented legal services? Certainly not by time used. As one in-house lawyer points out, this becomes all about a fixed fee:

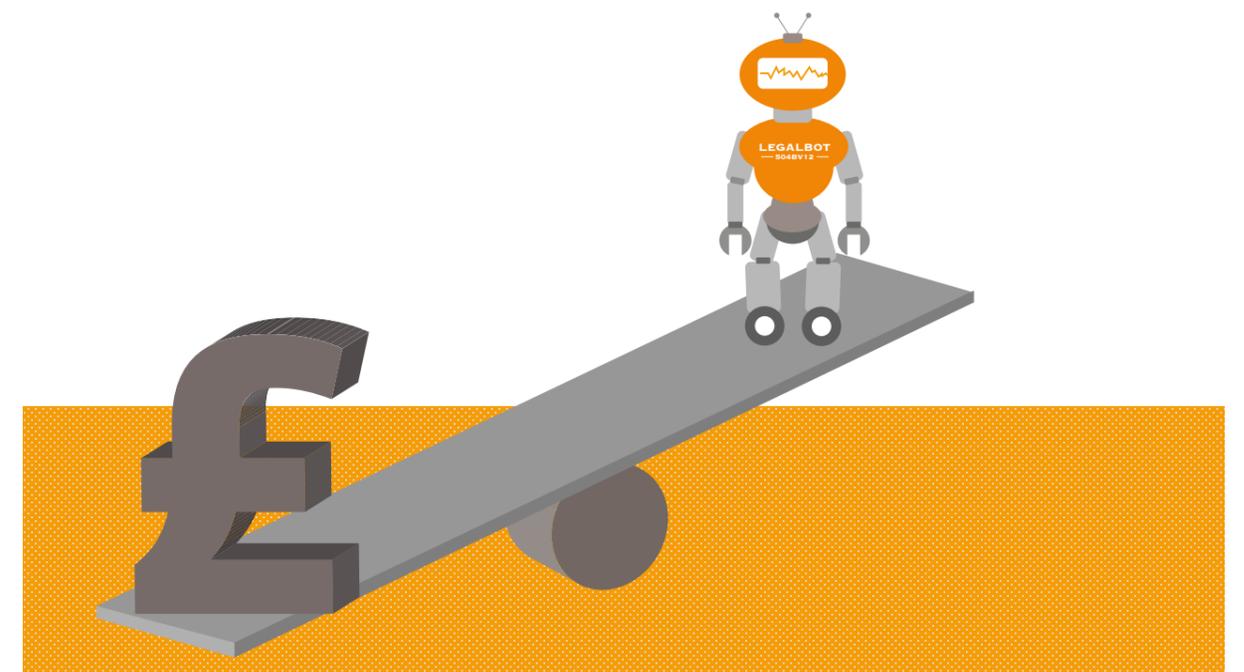
'If a law firm tells us it is using AI, I would expect them to offer a fixed fee, and that would be a selling point as the cost would be lower [than a variable fee]'

Senior in-house counsel, global technology company

However, the reality is that when it comes to pricing strategies, law firms are only just starting to work through what needs to be done. As one global firm says:

'Law firms will need to look at their business model to overcome the hurdle of investing in AI. If using AI means that we can deliver better value to the client then we have to be able to come up with a model that results in a win-win situation'

Bas Boris Visser, Global Head of Innovation, Clifford Chance



And:

'In terms of how we bill out AI, we don't know yet. Maybe we'll charge a flat fee for using the AI tool and then variable for the other work on top. At the moment we are not billing this out as a separate thing. We are absorbing any cost of using the AI as we learn how to use the tools and determine how it impacts our work and workflow. Once we have figured those things out we will be better able to assess whether and how to charge for use of these tools'

Ralph Pais, Partner, technology transactions, Fenwick & West

In which case, although it is fair to say that many law firms are now using AI systems, how this works for them economically is still evolving. Again, this is an area that cannot be left just to IT or innovation groups, but instead will need to include the consideration of firm-wide management to make the right decisions on such a crucial financial issue.

In any case, there will at least be some encouragement from the clients for law firms to embrace AI, no matter what pricing structure they use:

'If AI could do what LPOs do then that would be a big cost advantage to us'

Senior in-house counsel, global technology company

Perhaps the key point is the need to approach AI-augmented work in a new way. That is to say, for law firms to meet the efficiency demands created by fixed fees, but also to maintain margins by using AI. Using AI will also increase productivity across the firm as lawyers are able to take on more matters in total as AI reduces time needed for volume aspects of each deal. The end result can be better profits and greater total revenues.

04 Adoption

In terms of how law firms are adopting AI there were a variety of views. One Irish firm, McCann FitzGerald, reached the use of AI document review systems through using eDiscovery first in litigation, then looked at the rest of the firm to see if there was technology that could help in other areas, such as due diligence.

'We were using AI for e-discovery for some time and we were aware that some law firms were setting up process centres [for contract review] and so we thought: why don't we do this with AI?'

Karyn Harty, Partner, commercial disputes, McCann FitzGerald

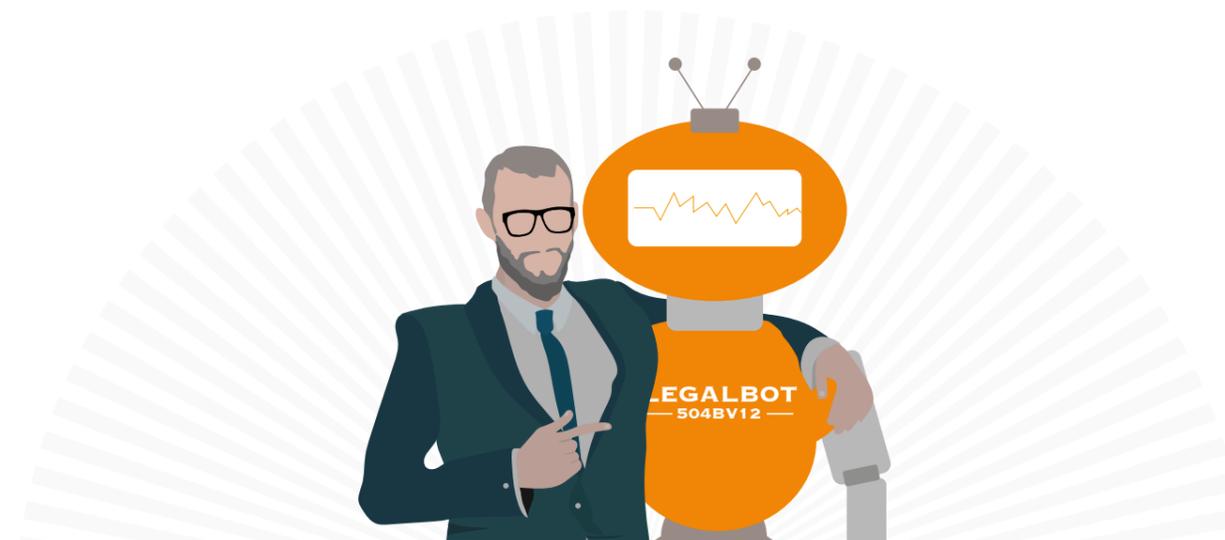
The firm was also meticulous in how they adopted AI, creating a firm-wide team to help the adoption process:

'We did a business plan and created a data investigations group. We also talked to other law firms. It was all very carefully planned. We have an R&D team and they are continually testing out new legal tech, including the AI systems on the market. We chose Kira, but we are platform agnostic. We don't want to sell tech to the clients, so we let them have a choice in which software we use'

Karyn Harty, Partner, commercial disputes, McCann FitzGerald

One could see this as a very organic process, where automation of some legal tasks eventually leads to the consideration of using AI. Other firms may 'leap-frog' this step and move immediately into using AI systems across the firm.

But, perhaps how lawyers get to AI adoption is not as important as how they perceive its wider uses once they have it in one area. What matters is that lawyers see AI as a tool they can use broadly across practice areas and that if its productivity gains are helpful in one area, then AI is likely useful in many others.



05 Conclusion

The key takeaway here is that the adoption of legal AI systems is not just an IT issue. In fact, as seen above, some of the most important issues related to AI are not even about IT, but rather how that technology changes the way law firms produce work, integrate this into their relationship with clients and then take into consideration the operational and financial changes that may be involved.

Law firms therefore need to take a broad view of AI, and not see it as just another piece of software in the same 'bucket' as document management, for example. AI has both a profound operational and strategic impact that alters the productive capacity inside a law firm, that could improve margins on process work, as well as meet client demands for greater efficiency. So important is its impact that AI therefore needs management level input and consultation on the key issues before implementation, or wider roll-out of AI systems across the firm.





About the Author

Richard Tromans is the founder of TromansConsulting, which advises legal businesses on strategy and innovation, including advising on the adoption of AI systems. He also runs the site *Artificial Lawyer*, which is dedicated to new developments in legal AI and automation. He is based in London, UK.

Contact: ***Richard@Tromansconsulting.com***



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