



The business case for
AI-enabled legal technology

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Just ask Alexa: Artificial intelligence is not science fiction

The digital technologies that fall under the category of artificial intelligence (AI) are changing how households are run and the way numerous industries operate.

The practice of law, too, is experiencing the arrival of the AI ‘future’.

AI technologies have been designed to mimic human cognitive functions such as reasoning, learning and natural language processing. Human programmers have developed software and algorithms that continually collect data and that can adjust their coding based on new information. The more data that these technologies collect, the more accurate their insights and predictions.

What AI promises — and delivers — isn’t sci-fi but practical applications. To use an appropriately down-to-earth comparison, think of AI-enabled technology as a new industrial revolution. A paradigm shift that enables skilled professionals to achieve processes that were previously inefficient, if not altogether impossible, to accomplish. For instance, marketers are using AI-enabled technology to better understand current and potential customers. An example is Lucy, a cloud-based service developed by Minneapolis-based company Equals 3. Lucy uses the power of IBM’s Watson supercomputer to gather and analyse data on consumer’s online buying and browsing habits. This gives businesses a better sense of the types of products and messages that will appeal most strongly to an individual consumer.

For law firms, AI promises numerous business benefits. Providers of legal software and solutions are already

incorporating AI into their products. The data that AI-enhanced legal tools can gather and process offer firms a deeper understanding of litigation strategy and of their current and potential clients. In addition, these tools can boost law practices’ business efficiency by managing tasks such as analysing documents and checking citations. The gains made in speed and precision are dramatic and promise to be even more so in the near future.

Consider a law firm that is exploring the introduction of AI into its operations. When building the case for acquiring and incorporating AI-enhanced tools into a firm’s processes, the firm should consider using the following model, which is based on a version shared by project management software firm Workzone:

1. Justification and possible solutions
2. Advantages and positive outcomes
3. Scope and limitations
4. Budget
5. Project plan
6. Summary

If following this model — the firm will be detailing AI’s advantages; addressing tough questions and strong objections by peers and management; and, helping to make the strongest case for AI-enhanced legal tools.

Of large law firms, 56% believe AI will become mainstream in the practice of law within the next five years.

The lay of the land

Late in 2019, Thomson Reuters surveyed more than 200 law firms regarding their perceptions and use of AI-enhanced tools. In this paper, we will refer to this survey to illustrate the acceptance and applications of

AI in the legal profession — and the risks and concerns many firms believe they must address as they consider incorporating these tools into their practices.

Justification and possible solutions: Why AI?

Perhaps the most powerful notion to be gleaned from the Thomson Reuters survey is that using AI-enabled legal tools will become a best practice in the profession. Among large firms (those employing 180 or more lawyers), 56% believe AI will become mainstream in the practice of law within the next five years. Among that same survey group, 33% believe that timeline is shorter — contending either ‘it’s already here’ or that AI will become more widely used ‘within the next three years’. For the 40% of larger firms that already use AI-enhanced tools, the timeline has been obliterated.

Perhaps not surprisingly, smaller firms have been slower to incorporate AI. According to the survey, 23% of midsize firms (those employing 11 to 179 lawyers) are using AI tools; for smaller practices, the adoption rate is 10%.

The survey’s data points suggest that the gap between those firms adopting and those who are avoiding AI will widen. Discerning clients will likely expect their counsel to be on the right side of that gap. The possibility that large, mature corporate clients will have access to equally sophisticated (or identical) capabilities is very strong. AI’s increasingly pervasive corporate role suggests its presence (or absence) will be noticed by other players in the justice system: opposing counsel, judges, and government legal entities.

The use of AI-enhanced legal technology is all but certain to become a baseline of competency in the future. Lawyers already have the option of using these tools, and those that choose not to might be placing their clients — and thus their own practices — at a competitive disadvantage.

Advantages and positive outcomes: Demonstrating value

As the AI is an increasingly available technology, integrating these platforms will spread the influence and benefits of AI across all aspects of law firm management, including human resources and personnel management,

finance, and customer care. In other words, AI can provide value to law firms from two vantage points: legal practice and business management.

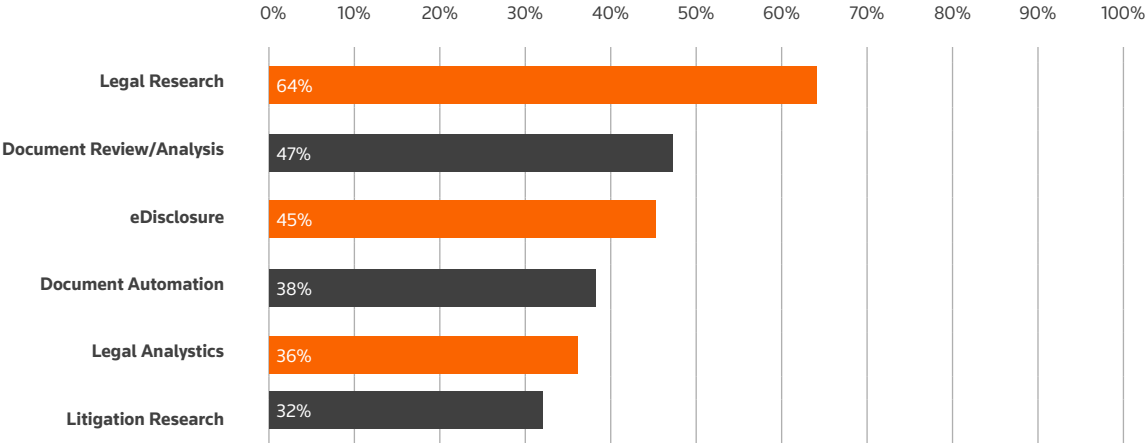


The practice side

According to the Thomson Reuters AI survey, 64% of law firms already using AI-enhanced technologies deploy them for legal research. In addition, 77% of these firms cite

‘increasing efficiency’ and ‘saving time’ as top benefits. These firms believe that AI is helping them get answers more quickly.

Purpose for use of AI-enhanced technology



Many firms currently utilising AI cite its ability to automate and accelerate certain legal tasks. Among survey respondents using AI-based tools, 45% are using eDisclosure, and 38% are using document automation. Meanwhile, 47% are using AI-driven document review to catch errors legal professionals might miss when performing the task ‘manually’.

The applications above are among the highest cited in the survey, possibly because they are advances in long-established digital capabilities. Lawyers and other professionals alike have been using automated quality-control tools, like spelling and grammar checks, for decades. Modern professionals have come to rely on their computers to suggest improvements or flag potential errors in certain tasks. Whilst the technologies driving modern iterations of, for example, document review are remarkable, their appearance and implementation are quite familiar.

The survey also reports that litigation strategy tools are being used by 36% of law firms that have introduced AI into their practices. These tools can examine data points from past case law, win/loss rates and trends,

and patterns in a judge’s history. This information allows law firms to respond confidently to questions that have formerly been obscure, subjective, or at the very least, time-intensive to answer, such as: ‘Does my opposing counsel have certain behaviour patterns I can use to my advantage?’ and ‘Are there judicial tendencies I should know about?’.

This type of work has certainly been done in the past. The justification for an AI-enhanced approach, however, is twofold. First, subjectivity is reduced and clarity is enhanced. Using AI to scan across entire libraries of case information eliminates the risk of missing key information due to human factors such as mental endurance and personal bias.

Second, are the far more obvious increases in the speed and efficiency of employees engaged in litigation analysis. Any lawyer that has slogged through court filings and judicial decisions will see the advantages inherent in this technology.

The business side

Law is a practice, a profession, and a discipline. A law firm is also a business. One of its primary business goals is client acquisition and retention. The Thomson Reuters AI survey results suggest potential clients may increasingly expect their legal representation to demonstrate they have the latest and most powerful technologies in their toolboxes.

In fact, 92% of survey respondents agree that ‘lawyers will need to be more tech savvy in the future’ while 19% stated clients are asking for proof of efficiency or adoption of technology. That percentage is likely to grow, and perhaps very quickly, as clients become more aware of the technologies available to legal practitioners. Even now, the survey results suggest firms that are not technologically up to speed could be failing to meet the expectations of a significant number of potential clients.

AI-enhanced legal tools can be a selling point to clients in several ways. For instance, AI-driven litigation analysis can be used to help set and manage client expectations by illustrating judicial behaviours or litigation strategies that may inform the process or duration of active litigation. Among Thomson Reuters survey respondents, 32% reported using AI-enhanced litigation analytics platforms.

AI-enhanced analytics also can be trained on a firm’s own experiences, revealing insights into their strengths, weaknesses, and competencies. This information can help ‘win’ the business of customers with an objective message regarding your experience. Perhaps just as valuable, individual performance data — aligned with intelligence regarding specific types of legal matters — can help determine whether a firm needs to deploy its star lawyers on a particular case, if the case is safely within the capabilities of other team members, or even if the case is worth taking on.

AI technology can also help diagnose symptoms of client attrition. Over time, a data-driven approach to client management has the potential to identify patterns within a firm involving time, costs, types of legal matters, outcomes, or client profiles. AI-powered analysis could help law firms assess the health of client relationships and reveal opportunities to act before a client takes its business elsewhere.

Then there are the firm’s back-office functions, which are intertwined with client management and retention. Here, too, AI tools can provide measurable benefits.

For instance, a law firm may be finding that clients are pushing back on hours billed. AI’s efficiencies in areas such as research can allow you to bill fewer hours.

That kind of efficiency might result in less revenue in the short term, but considering corporate clients in particular identify legal fees ranking among their biggest expenses on their income statement, charging status-quo billable hours can put a firm in a risky position. Highlighting the firm’s efficiency through its use of AI tools may be necessary to maintain the long-term health of the firm’s client relationships.

Conversely, a law firm might be seeing alternative fee arrangements shifting the cost burden back to your firm, therefore challenging its ability to maintain profitability. AI-powered insights into the firm’s billing data can help rebalance that burden. When the firm has a clearer view of the costs — and the firm’s own processes and timelines — it’s easier to establish price structures that are fair to both client and firm. Similarly, a view into past litigation data can help by more accurately defining litigation budgets.

AI-enhanced tools also can help firms make smarter business development decisions. The data points and analyses these technologies gather and generate can reveal useful, actionable insights into issues such as the following:

- Where are lawyers/team members strongest? Where are they weakest? These insights can reveal what types of additional training certain lawyers/team members need, for instance.
- Which case types are appearing most often? The answer may represent a growth opportunity or a chance to build capacity.

With a clearer, objective sense of a firm’s strengths and weaknesses, the firm’s management can better determine where to take the business in the future and what areas would be better off avoiding. These are the types of strategic business decisions that AI-driven insights can help law firm leadership make.

One of the strengths of AI tools is that they are evidence-based and continuously gather more and more of that evidence. This is a characteristic any lawyer will appreciate.



Scope and limitations: Successful implementation

Even with these potential uses and advantages, lawyers will ask some tough questions. Some of these will involve the scope of what might be termed the firm's AI 'project': What are the goals? How long will it take to achieve them? What actions are required to meet these objectives? Responses to these concerns will depend upon the firm's business objectives. The scope and time to implement will be unique to the firm's current setup and future plans. The most widespread use of AI-enhanced tools that the Thomson Reuters AI survey identified is legal research. This can be a very simple application to introduce, manage, and maintain.

To see a return on their AI investment, firms must ensure that the tools become part of the employee workflow.

Other applications of AI-enhanced tools include performance dashboards that can track tasks, measure financial performance, and report on case activity both internally and with clients. Tech-savvy law firms might opt to incorporate these AI-assisted data tools into their client portals to create greater transparency with clients. Indeed, clients may demand this kind of information access.

If a law firm has engaged in any formal project implementation process, it will know that one of the areas the strategy needs to address is the potential limitations of introducing a major new technology or approach to conducting business. Typically, this will require a close look at the risk factors.

Successful onboarding — training employees how to use the tools and how to use them correctly — is among the largest risks law firms face when implementing new technology. To see a return on their investment, firms must ensure that tools become part of the employee workflow. That requires a mix of internal promotion, process change and individual buy-in. Firms must ascertain that the partners, associates, and support staff that might use these tools understand how they work and the insights they can generate. Clients and prospects need to be assured that the firm not only has the latest tools, it is using them productively — for their benefit as well as your own.

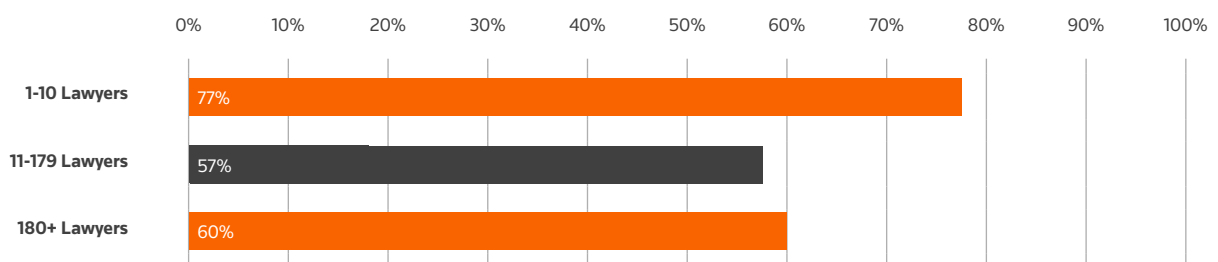


Budget: Can we afford it?

One of the biggest objections to address will relate to the price. The cost to implement AI-enhanced technologies was a frequently expressed worry among the firms Thomson Reuters surveyed in late 2019. Of the larger firms surveyed (those with 180 lawyers or more), 60% identified the cost to implement as their chief concern. (For midsize and small firms, the percentages citing cost as the top concern were 57 and 77, respectively.)

The case for AI must include some forward-looking financial analysis — critical information in making any business case for a technology investment. The two questions most likely to arise are: ‘How will we pay for it?’ and ‘How and when will we see a return on investment?’. Firms must demonstrate, using as much numerical data as they can gather, that the purchase of AI-enhanced tools will more than pay for itself.

Concerns about cost of implementation by firm size



Project plan: Implementing AI

As a law firm deliberates on how and whether to incorporate AI-enhanced tools into its business, considerations will include the practical need, return on investment (ROI), human resources required, timeline, and budget. However, there are also the post-installation factors to consider, notably, implementation and onboarding. In order for law firms to derive ROI from AI-enhanced tools, the technologies must be both understood and used. When proposing the introduction of AI technology into a firm's practice, it must be made clear that training and tutorials will be part of the implementation process.

Another issue to address, is an emotional one: will AI put me out of a job? The answer is no.

What AI can and will do is make completing tasks more efficient and less tedious. For instance, AI technology can go through and mark up hundreds of pages of documents much faster than doing it by hand. This can free up both lawyers and other employees for more interesting and profitable work. It can also allow less-experienced lawyers to begin delivering more value more quickly.

Turning to the client-facing uses of AI, another measure of trust and transparency will be required. Again, simply claiming that a firm uses the latest technology is not enough to retain discerning clients. Clients need to know that a firm presents trustworthy data and that the insights drawn from that data are correct and well-informed.

Summary: Bringing it all together

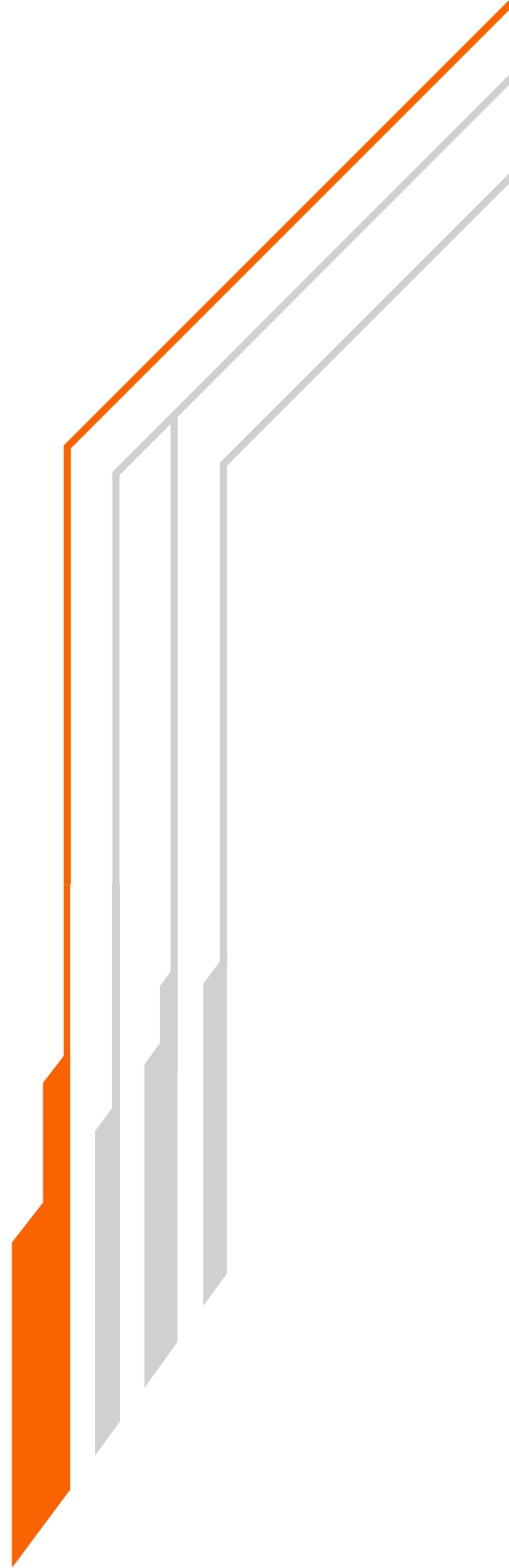
As a firm summarises the case for incorporating AI-enhanced tools into its processes, the firm can concisely address each of the following in turn, answering potential concerns, risks, and objections:

- The problem
- The solution
- The costs
- The ROI
- The timeframe
- The implementation

The future is here — and it's evolving. AI-enhanced tools designed for the legal profession will only continue to improve. This implies that more law firms will be using AI-enhanced tools, and weaving such technology into a firm's processes can provide a market advantage.

Indeed, Thomson Reuters recent survey of law firms and AI suggests that lawyers need to incorporate AI into their processes as soon as they can to gain an edge in the market. Once AI-driven tools become a standard best practice — something that could happen very soon — their use will give firms little more than parity with their competition.

In other words: The race is on. To remain successful, law firms should not let the future pass them by.



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